UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re: DynoTec Industries, Inc. Debtor.	Case No. 21-30803 Chapter 11

FIRST MODIFIED PLAN OF REORGANIZATION OF DYNOTEC INDUSTRIES, INC., A MINNESOTA CORPORATION

October 18, 2021

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ARTICLE I. INTRODUCTION

DynoTec Industries, Inc. was founded in 2007 as a transmission repair and refurbishing shop in Shakopee, Minnesota. Debtor's 100% owner is Timothy Lundquist. Typically, the business does from between $2,000,000 and $3,000,000 in sales per year. The business has grown and changed over the years and now primarily caters to commercial clients. Debtor purchased torque converters, a key component of automatic transmissions, from Transtar Industries, Inc. ("Transtar").

Starting in 2013 Debtor alleges that approximately one-half of the torque converters purchased from Transtar were defective. Over a period of 4 years, hundreds of Transtar torque converters failed and frequently caused major damage to other components in the automatic transmissions requiring a complete replacement of the transmission. Because these failures were under warranty, the Debtor either had to shut down their business or at their own cost repair and replace the transmissions that failed as a result of the defective Transtar torque converters.

Based on the increased costs associated with the warranty repairs from the defective Transtar torque converters, starting in 2013 the Debtor began to fall behind in its Employment Tax deposits with the Internal Revenue Service and the Minnesota Department of Revenue. Beginning in 2018 the business had come through the worst of the warranty issues associated with the defective Transtar torque converters and since that time has been able to stay current with its obligations to state and federal tax authorities. However, with principal, penalties and interest, the Debtor currently owes the IRS over $2,600,000 in employment tax deposits and related taxes.

Transtar sued the Debtor in September 2020 for over a million dollars in unpaid invoices for torque converters. The Debtor asserted an equitable recoupment claim based on the damages caused by the defective torque converters sold to them by Transtar[1]. On May 7, 2021, the Ohio court found that Transtar was liable to Transtar for breach of contract. The Ohio court then set a trial in order to determine the amount of damages that

[1] Schedule B filed by the Debtors on the Petition Date listed a "counterclaim" against Transtar, but this was in error, the only claim made in the Ohio litigation by Debtor was for a reduction or complete offset of the damages sought by Transtar.

the Debtor owed Transtar including the amount, if any, of equitable recoupment the Debtor was entitled to. The costs associated with that litigation were unsustainable. In addition, the IRS had been increasingly demanding in their collection efforts. The Debtor, after examining all of its options, reluctantly decided that a Chapter 11 filing followed by a sale of substantially all of its assets in a Section 363 sale represented the best method of maximizing the amount payable to its creditors. If the assets are sold to a buyer who will continue the business as a going concern as Debtor hopes, this will also preserve the jobs of all of the employees of the Debtor.

The real estate that the Debtor operates is located at 875 Corporate Drive, Jordan, Minnesota, 55352 and is leased from an affiliate of the Debtor, DynoTec Holdings, LLC ("Holdings") that is also owned 100% by Timothy Lundquist. During the course of the case, the Bankruptcy Court approved the Debtor's execution of a new lease between Holdings and the Debtor.

Also in the early part of the case, the court approved the hiring of an accountant and a sales agent to assist in the sale of assets. Prior to the time of the filing of the Petition, the Debtor had also hired an appraiser to assist in the sale.

The Debtor has yet to find a buyer. However, based upon an order of the Bankruptcy Court, the Debtor has to file a plan no later than October 15, 2021 setting out as much information as possible as to potential recovery for creditors and other information that will allow creditors to vote on the plan or reorganization.

Debtor hereby proposes the following plan of reorganization (hereinafter "the Plan" or "Plan of Reorganization") pursuant to United States Bankruptcy Code, Title 11 of the United States Code including provisions for a Subchapter 5 small business reorganization.

ARTICLE II. DEFINITIONS

For the purposes of this Plan, the following terms shall have the respective meanings hereinafter set forth. Any terms contained in this Plan that are not specifically defined shall have the meaning provided for in the Bankruptcy Code, unless the context otherwise requires. To the extent any term defined herein conflicts with the definition in

the Bankruptcy Code, the Bankruptcy Code definition will prevail.

"Allowed Amount", "Allowed Claim" or "Allowed Interest" means a claim or interest to the extent that:

(a) A proof of such claim or interest has been

(i) timely filed,
(ii) deemed filed pursuant to Bankruptcy Code § 1111(a),
(iii) late filed with leave of the court after notice and opportunity for hearing given to counsel for the debtor and counsel for the committee of unsecured creditors, if any; and

(b) (i) that is not a contested claim, or

(ii) that is allowed (and only to the extent allowed) by a final order.

(c) A claim asserted by any professional seeking compensation in connection with this case is an allowed claim only to the extent that the claim is allowed by order of the court after notice and hearing as provided in the Bankruptcy Code.

"Avoidance Actions" means claims made under 11 U.S.C. §§ 510, 542, 544, 545,547, 548, 549, 500 and 553.

"Bankruptcy Court" or "Court" means this court, a unit of the United States Bankruptcy Court for the District of Minnesota, or any other court having competent jurisdiction to enter an order confirming the Plan.

"Company" or "Debtor" means DynoTec Industries, Inc.

"Confirmation Date" means the date of entry of an order confirming the Debtor's Plan.

"Effective Date" means the first business day following the 14th day following the filing date of the final order confirming this Plan.

"Interest" means the equity interest of any shareholder in the debtor.

"Net Proceeds" means the total proceeds received from recoveries under any legal proceeding, including but not limited to any Avoidance Actions, less reasonable costs, expenses and attorneys' fees.

"Plan" means this Chapter 11 plan of reorganization and any amendments, or modifications thereto.

"Pro Rata Share" means, as to a claimant, the amount determined by multiplying the total amount of debtor's payment to a particular class by a fraction, the numerator of which is the amount of the claimant's allowed claim and the denominator of which is the total amount of all allowed claims in that class.

ARTICLE III. ESTIMATED CLAIMS, VALUES, AMOUNTS AND OBJECTIONS

The Debtor, or any party in interest, has the right to object to Claims or Interests filed within the bankruptcy proceeding within 30 days of the Confirmation Date, or such other time as the Court may direct. Unless otherwise stated below, the valuations, claim amounts or projected payouts given in this Plan of Reorganization are approximations. The Debtor will examine all Claims and work to come to agreements with creditors relating to values, claim amounts and the like. If agreements cannot be reached, Debtor or any party in interest may file any objections relating to such Claims as are appropriate. Any such Claims for which an objection has been filed or with respect to which a determination of the amount or value must be made, shall be paid when, and to the extent allowed or determined by the Court, or as otherwise agreed to by the Debtor and such claimant, and approved by the Court.

ARTICLE IV : UNCLASSIFIED CLAIMS

Unclassified claims include:

1. Post-petition claims, incurred in the ordinary course of the Debtor's business. [other than those listed in paragraph (3) below].

2. Allowed administrative expense claims, except as otherwise classified herein, including:

3.

   a. Allowed fees and expenses of professionals for the Debtor pursuant to 11 U.S.C. § 503(b)(1)(A);

   and

   b. Allowed administrative claims under 11 U.S.C. §503(b)(9).

4. Administrative claims of taxing authorities for post-petition taxes. Debtor is current on all post-petition taxes.

Treatment:

The Allowed Amounts of the foregoing claims will be satisfied by payment in full on the effective date, unless otherwise agreed to by the particular claimant, to the extent not otherwise paid in the ordinary course of business as the same become due or as agreed upon by a particular claimant. The largest of these claims is likely to be attorney's fees for Debtor's counsel who agrees to take payments over time as available from the cash flow of Debtor or until the sale of assets is closed. Debtor will continue to pay all court fees and all other trustee fees that come due until the Chapter 11 case is closed, converted or dismissed, as required by 28 U.S.C. § 1930, and subject to any amendments to the Bankruptcy Code made retroactively applicable to this Case.

5. Pre-Petition Tax Claims under 11 U.S.C. § 507(a)(8)

This IRS has filed a proof of claim for taxes as follows:

Secured	$1,285,850.04
Priority	$ 370,656.37
Unsecured	$ 965,637.32
Total	$2,622,143.73

The priority claims of $370,656.37 are included in the unclassified claims.

Treatment of Any Tax Claims:

The Allowed Amount arising under § 507(a)(8) will, unless otherwise agreed, be paid, with interest, at the rate set forth in applicable state or federal provisions regarding interest on unpaid taxes under a plan of reorganization. Such taxes will be payable in amounts as they become available from the sale of assets not to exceed 60 months from the date of the filing of the petition. To the extent such claims constitute penalties or nonpriority taxes; they will be treated as a general unsecured claim and paid under Class III, below. According to Article VII below and the attached Exhibit A, Debtor estimates that the IRS will recover approximately $87,500 of its priority claim from the sale of assets contemplated under this plan.

6. Priority claims for pre-petition wages used §11 U.S.C. §507 (a)(4).

To the extent they exist, and are Allowed, all wages, salary or commissions earned under §507 (a)(4) of the bankruptcy code. Debtor believes that there are no such claims.

Treatment:

Such claims will be paid, in full, on the Effective Date, or according to the term of any agreement with any such claimholder. Debtor believes that there are no such claims.

ARTICLE V. CLASSIFIED CLAIMS

A. Class I: Claim of New Market Bank (Impaired)

New Market Bank has filed a Proof of Claim for an unsecured debt in the amount of $486,888.14 for two paycheck protection loans that Debtor believes will be discharged but has not filed a secured claim. Based on the secured interest of the Internal Revenue

Service described below, Debtor believes New Market Bank is primed out of any interest in all the personal property assets of the Debtor but will remain a secured creditor as to the sister entity of the Debtor, DynoTec Holdings, Inc.

Treatment:

In accordance with the proof of claim filed by New Market Bank, their claim will be treated as a general unsecured claim (Class VI).

B. Class II: Tax Lien: Claims of the Internal Revenue Service (Impaired).

This Class consists of the secured claim of the Internal Revenue Service ("IRS"). The IRS has, from time to time since November 15, 2018, filed tax liens against the assets of the Debtor. Total secured debt owed the IRS is $1,285,850.04 plus interest and expenses to the extent allowed under Section 506 of the Bankruptcy Code. The IRS is secured by all of the assets of the Debtor, including, without limitation, the Debtor's accounts receivable, equipment, intangibles and inventory.

The IRS has also filed a priority claim in the amount of $370,656.37 and an unsecured claim in the amount of $965,637.32

The IRS is in first priority position on the cash and accounts receivable of the Debtor for the secured portion of its claim. Based on the disclaiming of any secured interest in the assets of the Debtor by New Market Bank, the IRS is in second priority position on the Debtor's non-cash assets. In addition, the IRS is in second position behind New Market Bank on the building owned by non-debtor affiliate DynoTec Holdings.

Treatment:

The Allowed Amount of the IRS's secured claim shall be paid to the extent possible from the cash and accounts receivable retained by the Debtor after closing on the sale of assets of the Debtor described in Article VIII below. To the extent that the IRS's secured claim is paid in full or in part from the proceeds of the sale of the real estate of New Market Holdings, the Debtor will reduce the payment on the IRS's secured claim accordingly.

To the extent that the allowed secured debt of the IRS is not paid in full from the cash assets of the Debtor, the remainder of the IRS's secured debt shall be paid to the

extent funds are available from the sale of the non-cash assets as described below after the superior lien of Funding Circle as to those assets is paid in full.

In the event that the IRS's secured claim is paid in full from the cash and non-cash assets of the Debtor, the remainder of IRS's Allowed claim shall be divided between a priority claim to the extent the remaining claim is a priority under 11 USC § 507(a)(8) and paid as an unclassified claim. The remaining Allowed IRS claim shall be treated as a Class VI unsecured claim. All unclassified priority claims will be paid in full prior to the payment of any Class unsecured claim.

C. Class III: Secured Claim of Funding Circle (Impaired).

In January 2018, Debtor entered into a loan and security agreement with FC Marketplace, LLC A/K/A "Funding Circle" in the amount of $225,000.00. The current balance owing to Funding Circle or its affiliates is approximately $119,000.00. Funding Circle and its affiliates are secured by a blanket security agreement, a UCC-1 filing with the Minnesota Secretary of State on January 4, 2018 by FC Funding, LLC, document number 992165700440, and a personal guaranty of Timothy Lundquist. Because of the disclaiming of the security interest of New Market Bank in the assets of the Debtor, Funding Circle and its affiliates are in first position on the non-cash assets of the Debtor (non-cash assets) and in second position to the IRS on cash assets (cash and accounts receivable).

Treatment:

Funding Circle's Allowed claim shall be paid from the proceeds of the sale of assets of the Debtor's non-cash assets. If the proceeds of the non-cash assets are insufficient to pay the full amount of the Class III claim, and if there are cash assets remaining after paying the superior secured claim of the IRS (a portion of the Class II claims), Funding Circle's remaining claim will be paid from those assets to the extent they are available.

D. Class IV, Secured Claim of the United States Small Business Association (Impaired).

On July 20, 2020, Debtor entered into an Economic Injury Disaster Loan agreement with the United States Small Business Administration ("SBA"). The loan in

the amount of $78,600.00 was secured by a blanket security agreement executed on or about July 20 2020 and perfected by a UCC-1 filing with the Minnesota Secretary of State on July 20, 2020 document number 1168137303328, and a personal guaranty of Timothy Lundquist. Because of the disclaiming of the security interest of New Market Bank in the assets of the Debtor, the SBA is in third position on the non-cash assets of the Debtor (non-cash assets) behind Funding Circle and the IRS respectively and third position to the IRS and Circle Funding respectively on the cash assets of the Debtor (cash and accounts receivable).

The SBA's secured claim will be paid from the sale of the non-cash assets of the Debtor or cash assets retained and excluded from the sale after the superior claims of the IRS secured claim (a portion of the Class II claims) and Circle Funding secured claim (Class III) are paid in full. To the extent that the SBA's claim is not paid in full from the proceeds of the sale of assets, any remaining claim shall be reclassified as a non-priority unsecured (Class VI) claim.

E. Class V, Claim of Ally Financial (Unimpaired)

Ally Financial has five separate secured claims for five vehicles owned by the Debtor. Debtor, through cash collateral orders allowing for it, has continued to pay the loans as they have come due as adequate protection. One of the vehicles, the 2014 Kia Sorrento has had an accident that totaled the car. An insurance claim has been made to pay the loan off for the Kia Sorrento. Any excess proceeds (which the Debtor estimates will be $10,000) from the insurance claim will be placed into the Debtor's DIP account.

Treatment:

To the extent that any payments on the various loans have been missed during the pendency of the Chapter 11, those payments will be made up on the Effective Date. The Debtor will continue to pay on the vehicle loans to Ally Financial for as long as the company remains in business or until they are paid in full whichever comes first. The vehicles are part of the assets listed for sale. To the extent that no buyer is found in the time limits set out in this Plan, the Debtor will liquidate the vehicles under the terms set out in Article VIII below. Debtor reserves the right to sell any of the vehicles for no less

than the secured debt on said vehicle prior to the time of any sale of assets is approved.

F. Class VI: General Unsecured Claims (Impaired).

This class shall consist of allowed unsecured claims not entitled to priority and not treated in any other class in the Plan. The allowed claims in Class VI are scheduled by the Debtor in the amount of $3,429,129.65.

Treatment:

The holder of a Class VI Allowed Claim shall be paid the Pro Rata Share of any remaining proceeds of the sale of assets as described in Article VIII below and after the unclassified claims and secured claims in Class II, III and IV have been paid in full. Debtor estimates that there will be approximately $0.00 be distributed from this sale to Class VI claimants as detailed in Exhibit A and summarized in ARTICLE VIII below. Based on the available assets, Class VI creditors will only receive a distribution under this plan if the assets of the Debtor in combination with the building owned by DynoTec Holdings, Inc. are sold for more than $283,506.41 higher than the price those assets are currently on the market for.

G. Class VII: Equity Interests

This class shall consist of the Allowed Equity or ownership interests of the Debtor consisting of a 100% ownership interest by Timothy Lundquist, the President of the Debtor.

Treatment:

Timothy Lundquist shall remain as the sole shareholders of the Debtor. The confirmation of the plan shall leave his ownership interest unaffected.

ARTICLE VI. IMPAIRMENT OF CLASSES OF CLAIMS AND INTERESTS UNDER THE PLAN

Classes I, II, III, IV, and VI are impaired under the Plan. Class V and Class VII Claims are unimpaired under the Plan.

ARTICLE VII. GENERAL PROVISIONS

A. Payments under this Plan will be made by check, mailed postage prepaid, to the Claimant at the address listed on its proof of claim or, if no proof of claim has been filed, to the address listed on the schedule.

B. Except as to the Claims of Taxing Authorities (including the IRS and the Minnesota Department of Revenue), Debtor reserves the right to designate the application of any payment on a Claim under this Plan.

C. In the event a payment is returned to Debtor unclaimed, with no indication of claimant's forwarding address, Debtor will hold such payment for a period of 60 days from the date of return. If not claimed by claimant by the end of that period, the payment shall become the property of the Debtor.

D. Proofs of Claims or Interests not timely filed and not otherwise scheduled will not participate in distributions under this Plan and will be discharged under Bankruptcy Code § 1141(d) unless otherwise ordered by the Court.

E. In the event this Plan is not confirmed under the Bankruptcy Code § 1129(a), the Debtors requests this Plan be confirmed under Bankruptcy Code § 1191(b).

F. The articles and bylaws of the Debtor shall be amended as required by Bankruptcy Code § 1123(a)(6) and as may otherwise be required by this Plan.

G Any creditor holding a deposit, including but not limited to utilities, shall return the full amount of the deposit, without the right to set off, as soon as practicable following consummation of this Plan.

H. As of the Confirmation Date, Timothy Lundquist shall continue to

serve as President of the Debtor. There are no other officers of the Debtor. Mr. Lundquist will continue to be the President of the Debtor until his services are no longer necessary and after the Effective Date. Timothy Lundquist's current salary ($125,000) shall remain the same throughout the period of time that the company continues in business after the Confirmation Date subject to annual cost of living increases.

I. Contingent, unliquidated, or contested Claims will be paid to the extent and manner agreed upon by the Debtor and the affected parties as approved by the Court, or as liquidated by the Court after hearing, as a general unsecured Claim under Class VI.

J. Any funds or benefits received by the Debtor by virtue of any adversary proceedings, lawsuit or any proceeding, claim, or any other legal right assertable by the Debtor under the Bankruptcy Code, or other law, shall remain the property of the Debtor, and may be used by the Debtor to fund the Plan. Debtor knows of no such claims.

K. If the Effective Date or any other date on which a transaction may occur under this Plan shall occur on a day that is not a Business Day, the transactions contemplated by this Plan shall occur on the next succeeding Business Day.

ARTICLE VIII. MEANS OF EXECUTION OF PLAN AND FEASIBILITY

A. Sale of All Assets To Highest Bidder

The Debtor has determined in its business judgment, that it is in the best interest of the creditors and the enterprise itself to sell as many of the assets of the company as a going concern that it can and liquidate any remaining assets. Selling at a going concern will greatly increase the amount available to creditors as opposed to selling the assets at liquidation.

As stated, the sale of the all of the assets of the business will be done through a notice of sale that will allow any interested parties who wish to pay more to participate.

The Debtor has sought other purchasers for the business from time to time over the past several years but has found no buyers.

Under the provisions of the Bankruptcy Code, a creditor having a lien or security interest in the assets of the Debtor will have a secured claim only up to the value of the collateral securing the claim. It is anticipated that at the time of confirmation of the Plan, the only secured creditors of the Debtor will be Class II, III, IV and V.

Debtor is seeking to sell all of its assets free and clear of all liens and encumbrances at a sale governed by § 363 of the Bankruptcy Code. There is as yet no identified buyer and there is no guarantee that such a buyer will be found. If a buyer or buyers is identified and a purchase agreement signed, that purchase agreement will be subject to approval of the Court. In that instance, Debtor will seek approval of the sale by a motion that provides, among other provisions, that any buyer's bid may be topped by another interested buyer who meets certain eligibility requirements. Debtor has its non-cash assets on the market for a price of $900,000.00. An appraisal of the Debtor's asset is attached as Exhibit D. Debtor estimates that as of the Effective Date it will have $550,000 in cash and collectible accounts receivable available for payment of allowed claims. In addition, Debtor believes that if there is a buyer for the assets of the Debtor, the real estate owned by DynoTec Holdings, Inc. will be sold to the same buyer. The real estate has a listed value of $1,250,000.00. New Market Bank has three loans with Dynotec Holdings, Inc., the sister company of the Debtor. Those loans are secured by a mortgage on the building housing the Debtor's operations and owed by Dynotec Holdings. The amounts approximately owed under those three loans are as follows:

Loan #115998 $631,000
Loan #116304 $112,000
Loan #116751 $117,000
Total: Approximately $860,000

If the building is sold either to the buyer of the assets of the Debtor or to another separate buyer on or before the sale of the Debtor's assets for the listed price, this will have the effect of reducing the total of the IRS's secured Class II claim by approximately $265,000 (after payment of the amount owed on mortgages on that property (approximately $860,000) held by New Market Bank).

If the buyer of the Debtor's assets pays the listed price of $900,000 for the non-cash assets and any buyer purchases the building owned by DynoTec Holdings for the listed price of $1,250,000 and the Debtor has $550,000 in cash assets available on the Effective Date, the "waterfall" of payments to claimants in the various classes will be as set forth in Exhibit A attached to the Plan.

B. Disposal of Assets if there is no Sale of Assets as a Going Concern.

If the Debtor cannot obtain an order for the approval of the sale of all of its assets free and clear of all liens and close that sale within 12 months of the Effective Date, the Debtor will shut down its operations and have 60 days to accept the best offer from a non-insider it can find for its assets which it shall accept or reject in its sole discretion. If no acceptable offer is made within that 60-day time frame, the Debtor will either hire an auctioneer to sell the asset to the highest bidder if such an engagement can be obtained, or abandon the assets.

C. Avoidance Actions

Debtor is investigating these potential causes of action and reserve the right to bring any Avoidance Action for the benefit of unsecured creditors under the terms of this plan. Because no estimate of recovery of any potential claims is available, no amount has been included in the exhibits attached that show available proceeds to unsecured creditors.

D. Plan Implementation.

If the plan is confirmed as a consensual plan under 11 USC §1129(a), Debtor shall implement the plan and pay creditors directly. Pursuant to 11 USC § 1190(2), if the plan is confirmed under 11 USC § 1191, all of the future earnings and proceeds from the sale of assets of the Debtors will be submitted to the supervision and control of the Subchapter V trustee under the terms and time limits set out in Article VIII as necessary for the execution of the plan. In that case, creditors shall be paid through Dennis O'Brien, c/o Manty & Associates, 150 S 5th St. St. 3125, Minneapolis MN 55432, or via email at Dennis@mantylaw.com . Unsecured creditors will be paid in one payment after all assets

are liquidated including any recovery of Avoidance Actions. No current estimate can be made as to when this payment will be made. Any questions concerning provisions of the plan shall be directed to Mr. O'Brien or Timothy Lundquist, tlundquist@dynotecindustries.com . Payments will be made by check, mailed postage prepaid, to the Claimant at the address listed on its proof of claim or, if no proof of claim has been filed, to the address listed on the schedules.

The Debtor, after confirmation, will continue to manage their remaining affairs for the purpose of finding a buyer and liquidating the remaining assets under the terms and time limits of Article VIII of the plan. The Debtor will provide or pay all of the Debtor's administrative expenses and business debts in the ordinary course of business. Debtor estimates that it will have no other expenses in that regard other than administrative expenses for professionals to carry out avoidance litigation and to provide service to the debtor to prepare documents necessary to affect a sale of the assets of the Debtor and assist the Debtor in the closing of the sale.

ARTICLE VIII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND ADMINISTRATIVE CLAIMS

Attached to this Plan and marked as Exhibit B is a list of the executory contracts and leases to which the Debtor is a party. As to each such contract or lease, the Debtor will continue to pay on the lease until the assets are sold or abandoned. If the buyer of assets ultimately rejects the lease, the lessor will have a Class VI claim for any amounts remaining on the lease. If any executory contracts or leases are not listed on Exhibit B, said lease or contract shall be deemed rejected, if not previously rejected, as of the Confirmation Date.

Unless otherwise ordered by the Court, any party holding an Administrative Claim, which has received a copy of this Plan, shall have thirty (30) days following the confirmation date or such other date established by court order to file a request for payment of administrative expenses pursuant to the applicable provisions of the Bankruptcy Code and Rules. Failure to file such a request in a timely manner shall be deemed a waiver of the claim and the Debtor shall not be obligated to pay such claim.

ARTICLE IX. ALTERNATIVES TO THE PLAN OF REORGANIZATION

Debtor believes strongly that acceptance of the Plan is in the best interest of its creditors. Based upon the history of the Debtor, the large amount of debt owed to the IRS and therefore the limited prospects for a successful emergence from Chapter 11 as an on-going company, Debtor believes it can offer more to all claimants through the sale of its assets rather than under a forced liquidation scenario, in which the Debtor's assets are sold for pennies on the dollar. If liquidation were to occur, only secured claimants would receive anything. Liquidation of the Debtor is evaluated on Exhibit **C** to this Plan of Reorganization.

ARTICLE X. MODIFICATION OF THE PLAN

The Debtor hereby reserves the right to amend or modify the Plan in the manner provided for under 11 U.S.C. § 1127 or § 1129(a) or (b), at any time prior to confirmation, or if allowed by the Court, at or after confirmation. Debtor reserves the right to amend the Plan or remedy any defect or omission, or reconcile any inconsistencies of the Plan, or the order of confirmation, in such manner as may be necessary to carry out the purpose and effect of the Plan, or insure confirmation.

ARTICLE XI. CONTINUING JURISDICTION OF THE BANKRUPTCY COURT

The Bankruptcy Court shall retain jurisdiction over the Debtor's property, after confirmation of the Plan, for the purpose of enforcing the provisions of the Plan, including without limitation, the determination of the amount of Allowed Claims, the hearing of objections, if any, to Claims, for estimating any contingent or unliquidated Claims, for conducting adversary proceedings, actions to subordinate Claims under § 510, to conduct any actions which may be properly removed to the Bankruptcy Court, and for other proper purposes related to this Plan.

ARTICLE XII. RESERVATION OF ALL RIGHTS, CLAIMS, ACTIONS

a) General Reservation. Debtor reserves all of its rights, at law or in equity, not otherwise specifically modified by this Plan, to object to claims, commence adversary proceedings or other legal actions, and take any other legal action allowed by the Bankruptcy Code or other applicable law, and use the Net Proceeds thereof to fund operations or this Plan.

ARTICLE XIII. DISCHARGE, RELEASE, AND EFFECT OF CONFIRMATION

Confirmation of this Plan shall constitute a complete waiver and release and satisfaction of all Claims of all creditors and shareholders against the Debtor, to the full extent allowed under bankruptcy law. Because the Plan ultimately results in the liquidation of all assets, no general discharge of debts is available under applicable Bankruptcy Law. On the Effective Date, Debtor shall be restored to its full ownership and dominion over all property and assets owned by it, which property shall be properly dealt with by the Plan, pursuant to 11 § 1141(c) except to the extent foreclosed by §1141(d).

ARTICLE XIV. MISCELLANEOUS PROVISIONS

The headings of the articles, sections and subsections of this Plan are inserted for convenience only and shall not affect the interpretation hereof.

The rules of construction used in Section 102 of the Bankruptcy Code shall apply to the construction of this Plan of Reorganization.

Except to the extent that the Bankruptcy Code or other Federal law is applicable, the rights, duties and obligations arising under this Plan of Reorganization shall be governed by, construed and enforced in accordance with, the internal laws of the State of Minnesota.

The rights, duties and obligations of any person or entity named or referred to in this Plan shall be binding upon and shall inure to the benefit of the successors and assigns of such person or entity.

The Remainder of this page is intentionally blank. Execution page follows.

DYNOTEC INDUSTRIES, INC.

Dated: 10.15.21 By: ______________________
Timothy Lundquist, President

EXHIBIT A - HYPOTHETICAL WATERFALL OF PROCEEDS

Asset	Sale Price*	Estimated Closing/collection Costs	Estimated Net After Closing Costs or after payment to superior lien	**Secured Claim Holder**	Estimated Amount to be Paid on Secured Claim	Remainder for payment to other creditors	Remaining IRS Secured Claim
Building owned by DynoTec Holdings (non-estate property)	$ 1,250,000.00	10%	$ 1,125,000.00	New Market Bank	$ (860,000.00)	$ 265,000.00	
Building owned by DynoTec Holdings (non-estate property)			$ 265,000.00	IRS	$ (265,000.00)	$ -	$ 1,020,850.04
Cash and Accounts Receivable	$ 550,000.00	10%	$ 495,000.00	IRS	$ (495,000.00)	$ -	$ 525,850.04
Cash and Accounts Receivable			$ -	Funding Circle	$ -	$ -	
Equipment and Inventory	$ 900,000.00	10%	$ 810,000.00	Funding Circle	$ (119,000.00)	$ 691,000.00	
Equipment and Inventory			$ 691,000.00	Small Business Administr	$ (78,000.00)	$ 613,000.00	
Equipment and Inventory			$ 613,000.00	IRS	$ (525,850.04)	$ 87,149.96	$ -
				Priority Claim Holders			Remaining IRS Priority Claim
Equipment and Inventory			$ 87,149.96	IRS	$ (87,149.96)	$ -	$ 283,506.41
SECURED CLAIM PAYMENTS							
IRS Estimated Secured Claim	**$ 1,285,850.04**						
Estimated Payment from Building	$ 265,000.00						
Payment from Cash and Accounts Receivable	$ 1,020,850.04						
Payment from Equipment and Inventory	$ -						
Funding Circle Estimated Secured Claim	**$ 119,000.00**						
Payment from Cash and Accounts Receivable	$ -						
Payment from Equipment and Inventory	$ 119,000.00						
Small Business Administration Secred Claim	**$ 78,000.00**						
Payment from Equipment and Inventory	$ 78,000.00						
PRIORITY CLAIM PAYMENTS							
IRS Priority Claim	**$ 370,656.37**						
Estimated Payment from Equipment and Inventory	$ 87,149.96						
Remainder to Pay Unsecured Creditors	$ -						
Unsecured Claimants							
Total Estimated Unsecured Claimants	$3,429,129.65						
Estimated Total Payments to Unsecured Class VI Claimaints	$ -						
Percentage Payment	0.000%						
*No purchase agreement for any buyer has been entered into, prices listed are the amounts being solicited by the Debtor							

EXHIBIT B

LIST OF EXECUTORY CONTRACTS

PARTY	TYPE	ASSUME / REJECT
DynoTec Holdings Inc.	Building Lease (2021)	Assume
Jordan Mini-Storage	Storage Contract	Assume
Paul Doucette	Building Lease	Assume
Safety Kleen	Equipment Lease	Assume

EXHIBIT C
LIQUIDATIOIN ANALYSIS

Asset	Book Value	Value at Liquida	Sales Costs	Net Available to Creditors	
Inventory	$ 300,000.00	$ 150,000.00	$ 32,000.00	$ 118,000.00	
Equipment	$ 1,000,000.00	$ 250,000.00	$ 32,000.00	$ 218,000.00	
Cash and A/R	$ 550,000.00	$ 495,000.00	$ -	$ 495,000.00	
TOTAL AVAILABLE AT LIQUIDATION				$ 831,000.00	

EXHIBIT D

APPRAISAL OF COMPANY AS GOING CONCERN

BGH VALUATION

Certified Business Valuation Report

DynoTec Industries, Inc

Report Dated: October 18, 2021

Conclusion of Value of a 100% Interest in the "Acquired Assets" on a Controlling, Privately-Marketable Basis as of JUNE 30, 2021.

October 18, 2021

DynoTec Industries, Inc. (the "Client")
Attn: Timothy Lundquist,
875 Corporate Dr
Jordan, MN 55352

Dear Client,

I have performed a valuation engagement, as that term is defined in the Professional Standards of National Association of Certified Valuators and Analysts (NACVA), to determine the fair market value of a 100.0% interest in the “Acquired Assets” of DynoTec Industries, Inc as of June 30, 2021. This valuation uses fair market value to arrive at an estimated value. This valuation will be performed solely to determine a reasonable fair market value of the assets of the Debtor in anticipation of a future motion to sell all of the assets of the Debtor in regards to relief under Chapter 11 Bankruptcy. The resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the NACVA Professional Standards and the Uniform Standards of Professional Appraisal Practice (USPAP). The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

We were not restricted or limited in the scope of our work or data available for this engagement.

Based on our analysis, as described in this valuation report, the estimate of value for the fair market value of a 100.0% interest in the “Acquired Assets” of DynoTec Industries, Inc as of June 30, 2021 on a controlling, privately-marketable basis was:

$900,000 (rounded)

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix A and to the Valuation Analyst's Representation found in Appendix B. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Sincerely,

Brandon Hall, CVA, CMEA
BGH Valuation Services, LLC

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Executive Summary

Date of valuation	June 30, 2021
Date of report	October 18, 2021
Governing standard	Revenue Ruling 59-60
Business name	DynoTec Industries, Inc
NAICS/ Industry	81111 - Automotive Mechanical and Electrical Repair and Maintenance
Property valued	100.0% interest in the "Acquired Assets" of DynoTec Industries, Inc as of June 30, 2021
Ownership interest valued	100% Controlling Interest (Pre-Debt)
Asset or stock sale	Asset
Purpose of valuation	This valuation will be performed solely to determine a reasonable fair market value of the assets of the Debtor in anticipation of a future motion to sell all of the assets of the Debtor in regards to relief under Chapter 11 Bankruptcy.
Intended User(s)	Client, Client Legal advisors, United States Bankruptcy Court
Standard of value	Fair market value
Premise of value	Going-concern
Type of report	Conclusion of value
Scope limitations	None
Significant assumptions and limitations	See Appendix A
Selected valuation method	Capitalization of Benefits Method (Income)
Valuation conclusion	$900,000

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Historical Operating Results with Normalization of Earnings

Fiscal Years Ending	Proj. (1) 2021	FYE 2020	FYE 2019	FYE 2018
Revenue	$3,288,478	$2,578,161	$2,911,711	$2,638,660
Growth Rate	28%	-11%	10%	---
Historical Cash Flows:				
Earnings Before Tax (EBT)	(877,171)	(137,551)	345,288	234,224
Depreciation & Amortization	20,356	34,295	59,498	47,668
Interest	13,092	47,267	51,152	24,550
EBITDA	(843,723)	(55,989)	455,938	306,442
Normalization Adjustments:				
Owners Salary	145,000	101,217	68,801	66,883
Legal & Professional Expenses	89,388	-	-	-
Rent Adjustments	21,106	(10,657)	34,192	(3,957)
Other One-Time Expenses/Revenues	1,128,190	(10,000)	50,447	-
Total Normalization Adjustments	1,383,684	80,560	153,440	62,926
Seller's Discretionary Earnings (SDE)	**$ 539,961**	**$ 24,571**	**$ 609,378**	**$ 369,368**
Less: Normalized Owner Replacement Salary	110,000	110,000	110,000	110,000
Normalized EBITDA	**$ 429,961**	**$ (85,429)**	**$ 499,378**	**$ 259,368**

Weighted-Average Financials

Fiscal Years Ending	Proj. (1) 2021	FYE 2020	FYE 2019	FYE 2018
Adjusted Revenue	3,288,478	2,578,161	2,911,711	2,638,660
Adjusted EBITDA	429,961	(85,429)	499,378	259,368
Adjusted SDE	539,961	24,571	609,378	369,368
Weighted	40%	30%	20%	10%
Weighted-Average Revenue	**$2,935,048**			
Weighted-Average EBITDA	**$ 272,168**			
Weighted-Average SDE	**$ 382,168**			

(1) - 2021 Projected values using six months of historical data (Jan - Jun)

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Valuation and Multiples Summary

Concluded Values

Acquired Asset Sale Value (inventory, fixed assets, goodwill)	**$ 900,000**

Valuation Multiples

	Weighted Average
Price / Revenue	0.31
Price / EBITDA	3.31
Price / SDE	2.35

Adjusted Balance Sheet: This valuation report assumes the following assets and liabilities are included in the proposed sale**:**

Cash	-
Accounts Receivable	-
Inventory	193,000
Other Assets	-
Fixed Assets	150,000
Other Non-Operating Assets	-
Total Current Liabilities Assumed	-
Assets Less Liabilities Assumed	343,000
Estimated Goodwill	**$ 557,000**

Breakdown of Tangible and Intangible Assets

Inventory, *per current balance sheet*	193,000
Fixed Assets, *appraised value*	150,000
Goodwill	557,000
Fair Market Value of Assets (rounded)	**$ 900,000**

Introduction

Subject of the Valuation

BGH Valuation Services, LLC was engaged to determine the fair market value of a 100.0% interest in the "Acquired Assets" of DynoTec Industries, Inc as of June 30, 2021. The value is considered free and clear of any liens or encumbrances, unless otherwise disclosed. The scope of work for this engagement is going-concern.

Purpose and Intended Use

The conclusion of value derived as a result of this engagement will be utilized solely to determine a reasonable fair market value of the assets of the Debtor in anticipation of a future motion to sell all of the assets of the Debtor in regards to relief under Chapter 11 Bankruptcy.. The valuation report does not reflect a value of the Subject Interest under any other circumstances other than those described in this report; therefore, no other purpose is intended or should be inferred.

THE SELLER OF THE BUSINESS IS DYNOTEC INDUSTRIES INC. ON MAY 14, 2021, SELLER HAS FILED CHAPTER 11 BANKRUPTCY IN US BANKRUPTCY COURT, DISTRICT OF MINNESOTA AND IS SERVING AS DEBTOR IN POSSESSION. THIS SALE IS PURSUANT TO COURT ORDER.

ALL THE ASSETS WILL BE SOLD FREE AND CLEAR OF ANY LIENS OR ENCUMBRANCES. BUYER WILL NOT BE ASSUMING ANY LIABILITIES OR DEBT. ALL CREDITORS INCLUDING THE IRS WILL BE NOTIFIED OF THE PROPROSED SALE AND WILL HAVE THE RIGHT TO ASK QUESTIONS AND EITHER SUPPORT OR OBJECT TO THE SALE BUT THE FINAL AUTHORITY ON THE APPROVAL OF THE SALE IS THE BANKRPUTCY JUDGE.

THE OWNER AND SELLER OF THE REAL ESTATE IS DYNOTEC HOLDINGS LLC IS AND IS NOT PART OF THE COURT BANKRUPTCY PROCEEDINGS.

Intended Users

The distribution and use of the valuation report is restricted to the Client, Client Legal advisors, United States Bankruptcy Court. The valuation report shall not be distributed to outside parties for any other purposes. Possession of the valuation report does not carry with it the right of publication of all or part of it, nor may it be provided to any third parties other than in connection with required judicial procedures. I do not assume any liability, obligation or accountability to any unauthorized third-party users of the valuation report under any circumstances.

Valuation Date

The result of this valuation is our conclusion of value as of June 30, 2021. We have requested and analyzed financial data up to and including the valuation date and have made inquiries into material subsequent events that may be known or knowable at October 18, 2021.

Standard of Value

Revenue Ruling 59-60 defines fair market value as:

> *The amount at which property would change hands between a willing seller and a willing buyer when neither is under compulsion and when both have reasonable knowledge of the relevant facts.*

In addition, the hypothetical seller and the hypothetical buyer must be in a pool that has the ability to exercise the right.

Premise of Value

The premise of value is the assumption regarding the circumstances in which an entity, or the entity's assets, would be sold. The International Glossary of Business Valuation Terms defines the following premises:

- **Going Concern Value** – the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place.
- **Liquidation Value** – the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either “orderly” or “forced.”
- **Orderly Liquidation Value** – liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.
- **Forced Liquidation Value** – liquidation value, at which the assets or assets are sold as quickly as possible, such as at an auction.

As of the valuation date the Company was not contemplating liquidation. Accordingly, the Company was valued as a going concern entity.

Assumptions and Limiting Conditions

The valuation presented in this report is contingent on the assumptions and limiting conditions as found in Appendix A and those found elsewhere in this report.

The Clients were provided with a copy of this report prior to its final issuance to ensure the accuracy of facts and statements attributed to the Client.

Scope of Work

The analysis and report are in compliance with the National Association of Certified Valuators and Analysts (NACVA) Professional Standards and the Uniform Standards of Professional Appraisal Practice (USPAP) for conducting and reporting on business valuations.

There were no restrictions or limitations in the scope of work or data available for this engagement.

This analysis is also in conformance with various Internal Revenue Service pronouncements including Revenue Ruling 59-60, which is acknowledged as a primary authority and guideline for the valuation of closely held businesses for income tax purposes. Revenue Ruling 59-60 outlines the approaches,

methods, and factors to be considered in valuing shares of the capital stock of closely held corporations for federal tax purposes. I will consider the dictates of Revenue Ruling 59-60; however, as an independent appraisal expert, I retain the right and obligation to differ from any opinions expressed in the rulings or court decisions when I feel that such ruling or decisions are contrary to generally accepted business valuation techniques and practices.

Specifically, Revenue Ruling 59-60 states that the following factors should be carefully considered in deriving a fair market value:

1. **The nature of the business and the history of the enterprise from its inception.**
   The three most recent year's income tax returns and current year internal financial statements were analyzed. In addition, the Company's operations and history are discussed in the “Subject Company” section of this Report.

2. **The economic outlook in general and the condition and outlook of the specific industry in particular.**
   The effect of the Economic Outlook and Industry Outlook on the Company has been included in those respective sections of this Report.

3. **The book value of the stock and the financial condition of the business.**
   The Company was valued as an asset sale and the financial condition was analyzed in the “Financial Analysis” section of this report.

4. **The earning capacity of the Company.**
   The Company's earning capacity was analyzed as part of the Income Approach.

5. **The dividend-paying capacity.**
   The Company's dividend-paying capacity is intrinsic in its cash flow and was analyzed as part of the Income Approach.

6. **Whether or not the enterprise has goodwill or other intangible value.**
   The Company's intangible asset value is reflected in the cash flows it generates which are, in turn, included in the Income Approach to valuation.

7. **Sales of the stock and the size of the block of stock to be valued.**
   The Subject Interest of this valuation engagement is a 100.0% interest of the “Acquired Assets”.

8. **The market price of stocks of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter.**
   Transactions involving companies in the same line of business have been researched as part of this valuation engagement.

The Uniform Standards of Professional Appraisal Practice (USPAP) require business appraisers to “include in the analyses, when relevant, data regarding” the same eight factors referenced above from IRS Revenue Ruling 59-60.

Although the factors found in Revenue Ruling 59-60 refer to “stock” and “dividend-capacity” of corporations, these factors are applicable to the ownership interests and distributions of other business interests of any type as noted in Revenue Ruling 68-609.

We analyzed the company's financial and operational information as detailed in the report and made inquiries of the company management. We also researched the industry in which the company operates and the general economic conditions as of the valuation date.

All relevant valuation approaches and methods were considered in performing the valuation of the subject interest. The conclusion of value reflects these findings, our judgment and knowledge of the marketplace, and our expertise in valuation. In the performance of this valuation, we considered and relied upon the concepts and methods presented in a substantial number of appraisal texts and other writings. The reader of this report should be mindful that any citations of law or court cases are for illustration and clarification purposes only. We do not practice law, nor do we base our valuation opinions on the decisions of various courts. The opinions are based upon our knowledge and analysis of the facts. However, we realize that certain parties who may read this report are oriented to the laws and court cases that relate to the purpose of this valuation. For that reason, we may cite the applicable laws and interpretive materials that have affected the valuation, as well as court cases that have opined on various valuation issues.

Work of a Specialist

We did not require the work of outside specialists in this engagement.

Hypothetical Conditions

Hypothetical conditions were not included in this valuation engagement.

Primary Sources of Information

In performing the valuation engagement, we were provided with, and relied upon various documents including, but not limited to, the following:

- **Federal tax returns**
- **Financial reports** – management of the subject company, accounting firms and/or representatives of the subject company
- **Subject company information** – business valuation questionnaire, interview with management, buyer and/or seller, company website
- **Demographics** – City-Data.com, ESRI Business Analyst Online
- **Federal and state economic statistics** – Minutes of the Federal Open Market Committee, Economic Outlook Update, Departments of Economic Development
- **Local economic statistics** – Departments of Economic Development, VerticalIQ, U.S. Department of Labor, US. Bureau of Labor Statistics, Wells Fargo Regional Reports
- **Industry statistics** – VerticalIQ, IBIS World Research, First Research, Reasonable Compensation Reports, Loopnet.com, RMA Statements, SageWorks
- **Market comparable sales** – DealStats, BizComps, PeerComps, and/or IBA

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Subsequent Events

Generally, the valuation analyst should consider only circumstances existing at the valuation date and events occurring up to the valuation date to form his/her conclusion of value. Subsequent events are indicative of conditions that were not known or knowable at the valuation date. The valuation would not be updated to reflect those events or conditions. We did not, in the course of our engagement, note any subsequent events that would warrant disclosure in this report.

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*The global outbreak "**COVID-19**" was officially declared a pandemic by the World Health Organization (WHO). The reader(s) are reminded that the conclusions presented in this appraisal apply only as of the effective date(s) indicated. There is no assumption made as to the effect on the subject of any unforeseen event, subsequent to the effective date of the appraisal.*

Valuation Approaches and Methods

Basis for Valuation

The three approaches that must be considered by an valuation analyst when valuing a Going-Concern include:

1. The Income Approach
2. The Market Approach
3. The Asset Approach

There are several methods within each of the three approaches that an valuation analyst can utilize to determine the value of the subject company. However, it is up to the valuation analyst to use professional judgment in determining how to weight each of the approaches when preparing a report.

The Income Approach

The Income Approach uses the historical and/or future cash flow stream generated by the subject company to determine its value.

The valuation analyst may determine an appropriate capitalization rate and capitalize a single historical period, or a weighted average of several historical periods, to get a value estimate. The valuation analyst may also establish an appropriate discount rate and discount a future benefit stream of the subject company as forecasted by the valuation analyst. This discounted approach assumes that the subject company is worth the present value of a series of income streams as determined by a multi-period forecast.

Market Approach

The Market Approach utilizes valuation multiples from publicly traded and privately held companies in the same, or similar, industry as the subject company.

The valuation analyst can use the current trading multiples of comparable companies to determine the applicable multiples for the subject company.

The other variation to this approach is to utilize previous sales of companies in the same, or similar, industry as the subject company. The valuation analyst can then apply the transaction multiples of comparable companies to the subject company and determine a value estimate.

The Asset Approach

The valuation analyst determines the value of each of the tangible assets, separately, and then adds them together to get a total company value. Alternatively, the valuation analyst can conduct an intangible asset valuation of his or her choice.

This valuation will be completed operating under the assumption that the subject company is going-concern.

It is important to note that the valuation of a business is a balance between art and science; the professional judgment of the valuation analyst is an important part of this consideration.

Valuation Methods Considered but Rejected

The Guideline Public Company Method under the Market Approach was considered. The subject business was judged to be too small to utilize the Guideline Company

Merged and Acquired Method under the Market Approach. This method uses DealStats, BizComps, PeerComps, and/or IBA database record of actual sales. The method is based on the principle of substitution that one will not pay more for an item than the cost of an equally desirable substitute. The subject is a control, privately-marketable interest. The data used from the databases are considered control, privately-marketable, so no additional discounts or premiums are required. Sufficient multiples in comparable industries were not available, therefore, the method is not appropriate for this subject.

Liquidation Value Method under the Asset Approach was considered but rejected. The method assumes either an orderly or a forced liquidation of the company’s assets. Since the business is to remain operational or a going concern, the method is not appropriate for this subject.

Adjusted Net Asset Method under the Asset Approach was considered and performed but rejected. A business' adjusted book value is calculated by adjusting the company's assets and liabilities from their book value to their estimated fair market value as of the date of valuation, with the value of the entity being the difference between the adjusted assets and the adjusted liabilities in a business operating as a going concern, fair market value usually is depreciated replacement cost. However, like the book value method and the liquidation value method, the adjusted book value method does not consider the business' earnings capacity. The adjusted book method is used primarily to value holding companies or businesses that do not possess goodwill value, therefore, the method is not appropriate for this subject.

Discounting of Future Benefits Method under the Income Approach was considered but rejected. This method is often used when projected cash flows are expected to be uneven because of irregular growth or other factors. It is a viable method when there is insufficient historical data available for analysis as a basis for multi-year forward looking annual periods or when projections provided by management are sufficient for use.

Prior Transactions in the subject company. There have been no reported prior sales transactions of company ownership, therefore, the method is not appropriate for this subject.

Dividend Paying Capacity of the company. The company has no history of paying Dividends; therefore, the method is not appropriate for this subject.

The Excess Earnings Method is used to determine the value of any company earnings in excess of those expected to be produced from the value of the assets. The Excess Earnings Method requires assets to be adjusted to market value and evaluated for their ability to produce earnings. If additional value is present in excess of the rate of return required by the total of all assets, a capitalization rate must also be used to value the balance of the company's earnings. Assets for this method include FFE and inventory. This method can be applicable, but was outside of the scope of this project and was not selected.

Valuation Method(s) Selected

Capitalization of Benefits under the Income Approach. This method will calculate future benefits when stable growth is forecasted into perpetuity. The result is a controlling, privately-marketable interest unless discounts and premiums are applied. A control interest is generated if financial statements are normalized in a manner only a controlling owner could; an inability to normalize financial statements indicates a minority interest. The method uses a build-up risk model beginning with EBIT (earnings before interest and taxes). If the normalized financial performance for the subject produced negative values for Pre-Tax Net Income, it disqualifies the method from use. This method was selected for this assignment.

Valuation Definitions

Market Value of Invested Capital or MVIC is equal to the total value of the firm or the value of the firm’s equity plus its long-term debt, e.g. it reflects the value of the entire capital structure (equity holders and debt holders).

Asset Sale Value is the value of the company for an asset sale, including the business’s fixtures, furniture, equipment, inventory, and goodwill, necessary to maintain uninterrupted operations. Here the seller usually retains cash, accounts receivable and other short-term assets, and is responsible for settling all liabilities and debt. An asset sale is not a stock ownership transaction.

Equity Value is the value of a company available to owners or shareholders. It incorporates all of the assets included in the “asset value” plus the firm’s liquid financial assets (cash, A/R, deposits, etc.) and minus its liabilities (short-term and long-term). Equity value is a determination of the value of stock ownership or member interest ownership at market value.

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Subject Company

History & General Description of the Business

DynoTec Industries, Inc. was established in 2007 and is based in New Jordan, Minnesota. They specialize in the estimate of repair, complete remanufacturing of all transmissions including light/mid duty trucks and cars. The company has created and maintained business relationships with 450 auto repair shops and dealerships. The company is owned by Timothy Lundquist is actively involved in the business full time.

Facilities and Location

DynoTec Industries operates out of a 13,500 sq. ft industrial building at 875 Corporate Drive, Jordan, MN 55352. This building is owned by a related entity. We have adjusted the rent to a market rent rate based on a $1,200,000 estimated value.

Company Highlights

- There are 21 full-time employees working at the company. Which include positions of senior builders, apprentice builders, support staff and drivers, and office/admin employees. The Company has a team of highly trained technicians that perform transmission remanufacturing to OEM Specifications.
- Dynotech Industries advertising is mostly word of mouth/business relationships and a smaller portion of it with social media/website. Majority of customers are recurring.
- The company specializies in the estimate of repair, complete remanufacturing of all transmissions including light/mid duty trucks and cars.
- Dynotech Industries operates in a niche market which provides the company with relatively low competition.
- Top three customers provides around 20-30% of annual sales.
- Tim Lundquist, the existing owner works full-time in the business.

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COVID-19 Impact

The company was impacted by COVID. 2020 revenues were down 11% year over year. However, 2021 was a strong bounce back year, which the company is projected to do over $3M in revenue in 2021.

Income Tax Status

The Company is a C-corporation and as such, files a United States tax return.

Identifiable Risks

This is a list of some principle risks the company or industry may face; it is not meant to be all-inclusive or identify every risk that could affect the company or its owners.

- High level of uncertainty with COVID-19 and the following economic aftermath.
- Increased competition in the local-regional area.
- Failure for the company to anticipate and prepare for changes in the market including regulatory requirements, technology, other.
- Change in the availability of qualified skilled and reliable professionals and labor for management.
- Poor word of mouth from existing, past clients.
- Falling sales or market share, indicating a shift inside the industry.
- Accident or injury or death of the owners or key managers of the ownership.
- Inaccurate financial data or information used for normalization and valuation provided by the owner or their representatives.
- Change in corporate policies, pricing, services, marketing affecting revenue, profits.
- Deterioration of the specific business locations or of the general part of a community where the current facilities are located including physical condition of the site, increases in crime or area business failures reflecting negatively on the area, and reducing future drive-by and appointment traffic.
- Lack of referrals or poor networking relationships
- Loss of key physical leases for existing operations requiring relocation and new expenditures for leasehold improvements or lost sales during a relocation.
- Other assorted operational, economic, ownership or industry risks not noted here.

Economic Analysis

I have examined the national, state and local economic reports available through various sources to create an informed opinion regarding the general direction and scope of the downstream demand determinants that influence the subject company.

The summary below provides an overview of some selected national, state, and local economic factors. The following narrative includes excerpts of the Minutes of the Federal Open Market Committee. The full narrative is contained in our work files.

U.S Economic Overview

Minutes of the Federal Open Market Committee – September 21-22, 2021

Staff Review of the Economic Situation

The information available at the time of the September 21–22 meeting suggested that U.S. real GDP was increasing in the third quarter at a slower pace than in the second quarter of the year. The pace of improvement in labor market conditions had remained very rapid in July but slowed sharply in August. Consumer price inflation in June and July—as measured by the 12-month percentage change in the personal consumption expenditures (PCE) price index was elevated.

Total nonfarm payroll employment increased sharply in July but rose much less rapidly in August, with job gains in the leisure and hospitality sector slowing to zero. In addition, state and local government employment was reported to have fallen in August, though abnormal seasonal swings had likely distorted recent readings for this sector. As of August, total payroll employment had retraced three-fourths of the losses seen at the onset of the pandemic. The unemployment rate had declined from 5.9 percent in June to 5.2 percent in August; although the unemployment rates for African Americans and Hispanics had also declined, on net, over this period, both rates remained well above the national average. The labor force participation rate edged up, on net, and the employment-to-population (EPOP) ratio rose further in July and August. Private-sector job openings, as measured by the Job Openings and Labor Turnover Survey, increased further in July and continued to suggest that labor demand was extraordinarily high. Initial claims for regular state unemployment insurance remained near the pandemic-period low that had been reached in early September but were still somewhat elevated relative to pre-pandemic levels. Weekly estimates of private-sector payrolls constructed by the Board's staff using data provided by the payroll processor ADP that were available through early September pointed to a modest pickup in the pace of private employment gains relative to August.

Average hourly earnings for all employees rose strongly in July and August, with gains that were widespread across industries. Recent monthly increases in average hourly earnings appeared to reflect a combination of continued strong labor demand and increased difficulties in hiring. A staff measure of the 12-month change in the median wage derived from the ADP data had also pointed to strong wage growth, with a pace in August that was well above the growth rates seen before the pandemic. By contrast, the Wage Growth Tracker measure constructed by the Federal Reserve Bank of Atlanta had not shown a similar pickup. The employment cost index of hourly compensation in the private sector, which also includes benefit costs, rose at an annual rate of 3.6 percent over the 6 months ending in June, 1 percentage point faster than the 12-month change posted in December 2020.

Inflation, as measured by either the PCE price index or the consumer price index (CPI), had been boosted by a surge in demand as the economy reopened further, along with the effects of production bottlenecks and supply constraints. Total PCE price inflation was 4.2 percent over the 12 months ending in July, and core PCE price inflation, which excludes changes in consumer energy prices and many consumer food prices, was 3.6 percent over the 12 months ending in July. In contrast, the trimmed mean measure of 12-month PCE inflation constructed by the Federal Reserve Bank of Dallas was 2.0 percent in July. In August, the 12-month change in the CPI was 5.3 percent, while the core CPI rose 4.0 percent over the same period. In the third quarter of 2021, the staff's common inflation expectations index, which combines information from many indicators of inflation expectations and inflation compensation, was little changed relative to the second quarter and was near its average over the decade before the pandemic.

Although real PCE declined in July, the components of retail sales used to estimate PCE rose strongly in August, returning to levels seen in the spring. However, concerns about the course of the pandemic appeared to be weighing on consumer services spending, as available indicators pointed to a slowing in demand for services sensitive to social distancing. In addition, measures of consumer confidence had moved lower in August. Demand for housing appeared to have remained very strong, but incoming data suggested that materials shortages and a lack of developed lots for construction were restraining residential building activity.

Available indicators suggested that growth in business fixed investment was slowing somewhat in the third quarter as supply bottlenecks—particularly for motor vehicles—weighed on business equipment spending.

Manufacturing output rose strongly in July and ticked up further in August. In August, activity in the oil and gas sector and production of petrochemicals had been held down by shutdowns related to Hurricane Ida. Supply chain issues faced by a number of other industries also continued to be a drag on overall factory output.

Total real government purchases appeared to be increasing in the third quarter after having moved lower in the second quarter. Available data suggested that federal nondefense purchases were declining sharply in the third quarter but that robust gains in real state and local purchases were offsetting this decline.

The U.S. international trade deficit remained high in July. After rising in June, real goods imports fell back in July, held down by a sizable decline in consumer goods imports, but the levels of consumer and total goods imports remained well above pre-COVID-19 levels. Real goods exports edged up in July and were close to pre-pandemic levels. Bottlenecks in the global semiconductor industry continued to weigh on exports and imports of automotive products, and shipping congestion continued to restrain trade overall. Exports and imports of services rose again in July, but they remained low relative to pre-pandemic levels, largely because international travel was still depressed.

In the advanced foreign economies (AFEs), where high vaccination rates had increased resilience to COVID-19 outbreaks, incoming data were consistent with economic growth in the third quarter at a slightly faster pace than in the second quarter. With the economic reopening under way, purchasing managers indexes for both manufacturing and services remained strong in Europe and Canada. Conversely, in emerging market economies (EMEs)—especially in Southeast Asia, where vaccination rates were lower—a global resurgence in COVID-19 infections due to the Delta variant led to renewals of public health restrictions. These restrictions weakened retail sales and contributed to labor shortages and transportation congestion, disrupting global supply chains. Inflation abroad was elevated, reflecting reversals of price declines early in the pandemic, past increases in energy and commodity prices, upward pressures from supply bottlenecks, and past exchange rate depreciations in some EMEs.

Local Economic Overview

The Local Economy (as Reported in the Federal Reserve Beige Book – Minneapolis – September 8, 2021)

Summary of Economic Activity

Ninth District economic activity grew at a moderate pace since mid-July. Employment saw strong growth, though hiring demand continued to outpace labor's response. Wage and price pressures were strong, with wholesale price pressures remaining higher than those for consumer prices. Growth was noted in consumer spending, construction, manufacturing, agriculture, and energy. Real estate activity slowed slightly. Minority- and women-owned businesses in the District reported moderate improvements in business activity.

Employment and Wages

Employment saw strong growth since the last report. Large firms reported strong net staffing growth, while growth at smaller firms was softer overall. Larger firms also reported comparatively higher wage increases, which was likely helping their recruitment. Firms of all sizes were upbeat regarding future hiring. A mid-August survey of construction firms across the District found that 70 percent have been hiring in some capacity of late. One Minneapolis-St. Paul firm said it needed workers "now, and a year from now, and two years from now based on what we have lined up." Another survey found that three-quarters of hospitality and tourism firms in Minnesota were hiring to either expand staffing or replace turnover. Firms in every sector reported continued difficulty attracting labor.

Wage pressures were strong. District-wide, about one-third of all firms, and almost half of large firms, said wages had risen by 3 percent or more over the last year. Surveys of construction and hospitality firms also showed strong wage growth. A Minnesota hotelier said housekeeping wages were increased from $13 to $15 an hour. "It didn't attract labor, but it made our current [staff] very happy and felt great to be able to afford this increase." Two of Minnesota's largest public employee unions settled new contracts with 2.5 percent wage increases.

Worker Experience

Labor supply remained tight across the District. Initial unemployment claims continued to decline through mid-August and claims in traditional unemployment insurance programs fell as of early August relative to earlier in the summer, particularly in the Dakotas and Montana. Claims in pandemic-era unemployment programs in Minnesota and Wisconsin only were modestly lower at the end of July compared with earlier in the summer. A workforce development contact in northern Minnesota pointed out that labor scarcity was causing some currently employed workers to be overworked and tired. Two recent surveys revealed that people want higher wages, flexibility, and better benefits in current or future positions as they continued to confront other life challenges. Low-wage workers in Minneapolis-St. Paul expressed concerns with being able to pay for housing, utilities, and food. Workforce development professionals in Montana also highlighted housing and childcare affordability as major challenges faced by job seekers. COVID-19 exposure remained a big concern among workers and job seekers.

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Prices

Price pressures remained elevated since the previous report. One-third of respondents to a general business survey reported that non-labor input costs were up by more than 10 percent relative to pre-pandemic levels; one-quarter said that they had increased prices charged to customers for their products or services by more than 10 percent over the same period. Hospitality firms reported steep input price pressures, but flat final prices on balance. While some lumber and wood prices retreated from recent highs, a construction survey found steep increases for most building materials. Retail fuel prices were little changed in most District states except Montana, where they rose moderately.

Consumer Spending

Consumer spending was moderately higher since the last report, sustaining a high overall level. Summer tourism has been strong, with contacts reporting record activity in western District states. Hospitality and tourism firms in northern and central Minnesota reported strong overall activity, with many exceeding 2019 levels; those in Minneapolis-St. Paul saw recent gains but remained far below normal seasonal levels. Passenger traffic at District airports continued to improve, reaching 80 percent of normal seasonal levels in August. In Minnesota, vehicle sales in July and August were mostly flat. A Montana vehicle dealer said August sales were slower due to very low inventory, and reduced trade-in volume also negatively affected used-car sales. "We can't build up any ground stock, but demand is solid."

Services

Activity in the services sector increased moderately since the previous report. Contacts in accounting remained busy. A majority of professional services respondents to a recent survey reported steady to increased revenues in the most recent quarter. Conditions were more mixed among transportation and warehousing firms, as they continued to deal with supply-chain disruptions.

Construction and Real Estate

Commercial construction grew moderately since the last report. Firms across the District reported that recent activity and sales were higher both year-over-year and quarter-over-quarter. However, firms doing infrastructure work reported slower activity. There were fewer reports of project cancellations, but project delays increased. Firms also reported a slowing of new projects out for bid, particularly for public projects. Labor availability, supply chain constraints, and high costs for materials were widely cited for project delays, the slowing of new projects out for bid, and lower firm profits. Residential construction grew moderately overall, but firms also reported more cancellations due to rising costs, as well as significant increases in project delays. However, the outlook for future projects remained positive.

Commercial real estate was flat overall. Industrial property continued to be strong. Retail and office sectors were poised to improve before the recent increase in Delta variant infections, which has affected return-to-office plans for many downtown employers and was likely to influence future leasing and new-construction demand. Residential real estate slowed. Closed sales in July were lower in many larger District markets compared with a year earlier, thanks to very low inventories of homes for sale and steeply rising prices.

Manufacturing

District manufacturing activity increased moderately since the previous report. A regional manufacturing index indicated increased activity in Minnesota, North Dakota, and South Dakota in July relative to the previous month. Manufacturing respondents to recent surveys reported solidly increased revenues over the previous three months and a positive outlook for the coming quarter. Industry contacts described continued strong demand, with most concerns related to input costs, supply-chain disruptions, and difficulty finding workers.

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Agriculture, Energy, and Natural Resources

While extreme drought conditions were taking a toll in many areas, District agricultural producers continued to benefit from strong commodity prices. Agricultural bankers indicated broadly increased farm income and spending in the second quarter, with a positive but more moderate outlook for the third quarter. However, livestock and dairy producers were suffering from the drought's impact on hay availability and pasture conditions, while corn and soybean crop conditions were deteriorating. District oil and gas exploration activity increased modestly since the previous report.

Minority- and Women-Owned Business Enterprises

Minority and women-owned business enterprises (MWBEs) in the region reported moderate growth in business activity. Labor supply continued to challenge businesses' ability to sustain operations, and many continued to report having raised wages to retain workers and/or attract applicants. Entrepreneurs also reported that increased nonlabor input prices and supply chain disruptions were major challenges for their business. A considerable number of MWBE survey respondents reported having passed on increased costs to customers by raising their own prices. A non-profit contact in Minnesota reported an increase in the number of aspiring entrepreneurs. Access to funding and information remained a challenge for some startups.

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Industry Analysis

I have examined the industry report available at Vertical IQ to create an informed opinion regarding the general direction and scope of the industry that influences the Subject Company.

The summary below provides an overview of some selected industry factors. The following narrative includes excerpts of the Vertical IQ Report. The full narrative is contained in our work files.

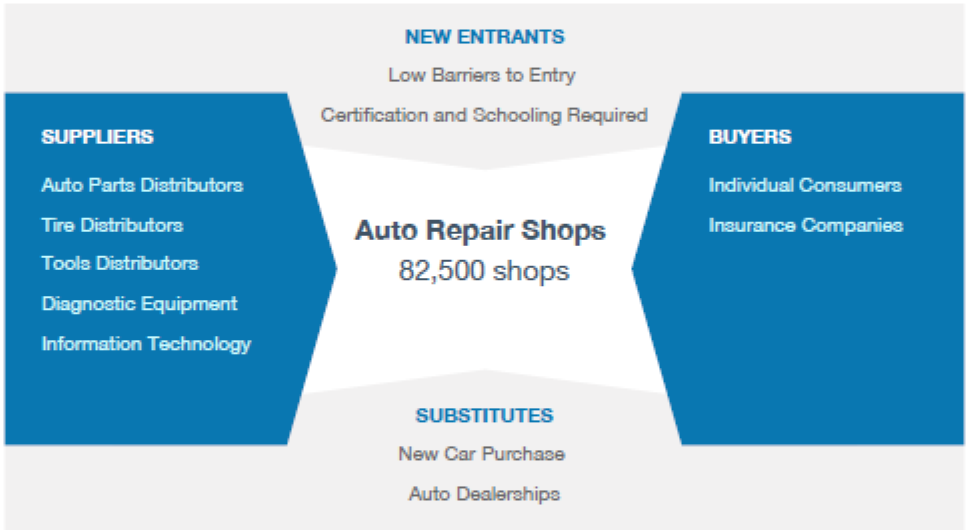
Coronavirus Update

- Depending on the state or city where they operate, repair shops may experience a rise in demand as driving activity continues to normalize. Since April 2020, vehicle miles traveled has gradually increased as more states fully reopened, according to traffic data from the Federal Highway Administration. However, rising COVID-19 cases amid the rapid spread of the Delta variant of coronavirus may inhibit some firms' plans to bring workers back to the office. As of August 5, the 14-day change in new cases of COVID-19 was up 119%. While new cases – as well as hospitalizations and deaths – were on the rise, they are well below the peaks seen earlier in the pandemic. On July 27, the Centers for Disease Control and Prevention (CDC) announced that fully vaccinated people should wear masks indoors in areas with high rates of COVID-19 transmission. The recommendation marked a reversal of CDC guidance on May 13 that said Americans who are fully vaccinated against COVID-19 could stop wearing masks and maintaining social distance in most settings. The updated recommendations are due to heath officials' concerns that fully vaccinated people could contract and spread the Delta variant.
- More driving during the summer of 2021 may help boost demand for auto repair shops as motorists get current on routine maintenance, such as oil changes, prior to road trips. Driven in part by optimism brought on by vaccine availability as well as stimulus checks, gasoline consumption during the summer 2021 driving season (April-September) is expected to average 9.1 million barrels per day (b/d), which is 1.3 million b/d more than last summer, according to the US Energy Information Administration (EIA). However, gasoline consumption this summer will still be lower than in 2019.
- After COVID-19 and related economic factors reduced US automotive aftermarket sales in 2020, the industry is expected to rebound strongly in 2021, according to a jointly-prepared forecast released in June 2021 by the Auto Care Association (ACA) and the Automotive Aftermarket Suppliers Association (AASA). The ACA/AASA forecast projects US automotive aftermarket sales to rise 11% and reach $325 billion in 2021, up from about $292 billion in 2020. Aftermarket sales are forecast to rise as the number of miles driven continue to increase and as consumers tend to hold onto their older cars longer. The average age of the US car fleet hit an all-time high of 12.1 years in 2020, according to IHS Markit. About 25% of cars on US roads are at least 16 years old.
- Repair shops are taking precautions like disinfecting door handles and steering wheels as well as wearing gloves and masks while in customers' cars and communicating. Repair shops are reconfiguring seating in their waiting rooms to ensure social distancing. The pandemic has increased the popularity of mobile mechanics that fix cars without physical shops. Mobile repair startup Wrench has seen strong growth as more consumers and fleet owners opt for its touchless, app-scheduled services and quick turnaround times, according to GeekWire.
- Auto repair shops that saw business drop off during the pandemic may have sought relief via the reauthorization of the Paycheck Protection Program (PPP). The PPP was revived with the

December passage of the $900 billion COVID-19 Economic Stimulus Relief Act. The legislation included $300 billion in funding for Small Business Administration (SBA) loans. The round of PPP passed in December let eligible borrowers get a second draw loan. It also simplified loan forgiveness for loans under $150,000 and makes forgiven loans tax deductible. In March 2021, President Biden signed the $1.9 trillion American Rescue Plan Act which included an additional $7.25 billion for PPP. The PPP was set to wind down on May 31, but the program ran out of money on May 11, 2021 and stopped accepting most new applications, according to The New York Times.

- A global semiconductor shortage may be making it hard for repair shops to obtain some types of car parts. The huge spike in demand for consumer goods during the pandemic has also created bottlenecks at key ports around the world which may also be slowing imports of auto parts used in repairs. Some auto repair shops have reported waiting several weeks for certain parts. The root causes of the semiconductor shortage reach back to the beginning of the pandemic when consumer buying patterns shifted and supply chains were disrupted. Carmakers cut back on production - and computer chip consumption - while home-bound consumers ramped up purchases of computers, game consoles, and other chip-containing electronics. When auto production bounced back, the whipsaw in chip demand – combined with US sanctions on Chinese tech and bad weather – made the semiconductor shortage worse. Gartner expects the shortage could persist into Q2 of 2022.
- Sales of certified pre-owned (CPO) vehicles fell 11% in June 2021 compared to May, according to Cox Automotive. Year-to-date CPO sales as of June 2021 were up 18% compared to the same period in 2020. Total year-over-year used car sales were off 11.1% in June. Used car sales are an indicator of future auto parts demand. Record-high prices for both used and new cars may reduce demand over the summer. However, high new car prices, limited inventory, and few factory incentives make used cars an attractive option.

Industry Structure



The average auto repair shop has about 4-5 employees and generates $709,000 in annual revenue.

- The automobile repair industry includes 78,600 firms that operate 82,500 shops, employ 345,600 workers and generate $55 billion in annual sales.
- The auto repair industry is separate from dealerships that provide repair services as well as the aftermarket industry, which manufactures and supplies components for vehicle repair.
- The automobile repair industry is highly fragmented. A vast majority of independent service shops are family-owned.
- The average car is 12.1 years old. A shift toward older vehicles tends to benefit the auto repair industry, as it indicates customers are more likely to take them to a mechanic for service.

Industry Trends

Trends are affected by the COVID-19 pandemic.

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter for those industries most affected and on our Covid-19 Updates Webpage.

Consumers Taking Control

Consumers are skeptical of dubious repairs and overcharging, and have taken back some of the control of the repair process. Websites like RepairPal.com provide estimates of basic services like coolant flushes and brake pad replacement, connecting customers with local mechanics who provide these services at listed prices. Online reviews help steer customers away from dishonest businesses. Some customers are taking on repairs themselves, purchasing devices like the Kiwi Wifi, an iPhone accessory that can interpret OBD-II codes and check engine diagnostics and fuel efficiency.

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Shops Leverage Social Media

Just as customers are using the Internet for shopping, independent and chain repair shops are leveraging applications like Facebook and Twitter to promote their business. Forward-thinking business have partnered with sites like Groupon and Living Social, which distribute daily discounts to consumers within a local market. Since customers are unlikely to find and “friend” their local transmission repair shop, businesses often list their social media information on in-store fliers or on their website.

Mechanics Win Right To Repair

States like Massachusetts and Florida have taken on so-called “right to repair” legislation and won a victory for third-party repair shops, nationwide. In an effort to prevent state-by-state legislation, the auto industry agreed to a national standard and deadline. Automobile manufacturers had to make diagnostic codes available to all independent repair shops and parts retailers before the 2018 model year vehicles were available. Before the agreement, only car dealerships had access to these sophisticated codes and the ability to repair vehicle problems. Repair shops – along with aftermarket suppliers – argued that independent mechanics should have the same access to information, which would lower the cost of car repair. As a result, independent shops are expected to gain market share of repairs from automobile dealerships' service departments.

Shops Servicing Alternative Fuel Vehicles

The increase in hybrid cars and the emergence of alternative fuel vehicles presents both a challenge and an opportunity. Computerized cars are highly automated, and customers are much more likely to have them repaired at the dealership. However, local mechanics that specialize in hybrid repairs may prove to be a worthy competitor to the local dealership. Additionally, some mechanics are specializing in eco-friendly car repair. These “green repair” businesses ensure the proper use and disposal of hazardous materials, adhere to environmental standards, and are often certified by green business associations.

Increased Buying Power Of Women

According to an Automotive Aftermarket Industry Association (AAIA) report, two-thirds of customers bringing in vehicles for service are women, and 90% of female drivers are involved in the vehicle repair decision-making process. Franchises and independent operators are responding to the shopping preferences and habits of women, offering child-friendly waiting rooms and hiring women service operators. However, repair shops have a long way to go. A recent Car Care Council survey found that nine out of ten women believe repair shop operators and technicians treat them differently because they are women – and that difference is seldom positive.

Collision Repair Industry Consolidation

The collision repair industry is mature and suffering from declines in the number of vehicles needing repair services. Consolidation is resulting from overcapacity, weak claims, pressure from insurance clients and their Direct Repair Programs, tightened profits, and the increased complexity of vehicles. Many collision shops are either acquiring competitors to build market share and reduce local competition, or joining networks to gain the advantages of pooled resources.

Credit Underwriting and Risks

Business Exit Rates:	3.5	Lower than US average for all businesses
Cyclical Sensitivity:	5.5	Moderate sensitivity
Barriers to Entry:	4.1	Moderate initial capital; moderate regulatory/technical barriers; very low concentration
External Risk:	5.0	Moderate external risk
Industry Outlook:	5.3	Comparable to GDP; some cyclical risk
Financial Summary:	5.4	Average margins; moderate liquidity; high leverage

Key Metrics

METRIC	VALUE	COMPARISON
Performance During 2007–2009 Recession	-7.5%	0.0% GDP
Business Exit Rate 2017–2018	7.16%	9.0% All Industries
Compound Annual Growth Forecast (2019–2025)	2.67%	3.6% GDP
SBA 7(a) Default Rate by Number of Loans (2010–2019)	3.66%	3.82% All Industries
SBA 7(a) Default Rate by Gross Loan Amount (2010–2019)	1.05%	1.21% All Industries

Underwriting Considerations

- Does the company participate in a Direct Repair Program (DRP), receiving repair jobs from an insurer.
- How much is the annual investment in equipment and training of employees in evolving vehicle technology?
- In a highly competitive industry, how has the company maintained and grown market share?

Industry Risks

Competition from Dealers

Faced with declining new car sales, car dealerships are increasing their efforts to service and repair vehicles of all types. Some dealers, having lost their manufacturer's franchise, are now offering "umbrella" services: collision, lube and oil change, interior repair and reconditioning, exterior paint and detailing, as well as traditional new and used car sales, insurance, and car financing. Repair shops must also contend with the customer perception that car dealers are more knowledgeable about their car's specific make and model.

High Reliance on Technology

Modern automobiles are "computers on wheels," and the era of the shade-tree mechanic has long passed. An automobile can have over a dozen unique on–board computers. Since the passing of the Clean Air Act in 1996, cars must be equipped with an on-board diagnostic (OBD-II) system. While most mechanics can patch into the OBD-II and read diagnostic codes when a vehicle is brought in for service, vehicle manufacturers and their dealers can remotely access the computers of connected cars and determine when repairs will be needed. This allows dealers to notify owners and schedule service appointments, leaving independent auto repair shops at a severe disadvantage.

Declining Collision Sector

Once a highly-profitable segment, the collision and body repair sector is in what some industry experts have termed "irrevocable decline." New safety measures like backup sensors and rear-view cameras have reduced traffic accidents. The number of "total losses" – accidents which cannot be repaired – has increased. Customers have shifted to lower-dollar repair orders, or cash insurance settlement checks and pocket the money instead of repairing their vehicle.

Vulnerability to Government Programs

Automobile repair shops are susceptible to federal initiatives like "Cash for Clunkers" and low-interest incentive programs for purchasing new vehicles. These efforts to jump-start the nation's economy may generate new car sales, but often come at the expense of repair shops.

Negative Industry Image

Car mechanics consistently deal with the perception that they overcharge and unnecessarily up-sell. Media reports often sensationalize price disparities among repair shops for service required on the same vehicle. Local mechanics fair better in the trust category than dealerships or retail chains: a DriverSide.com study found that two-thirds of all customers believe that a car dealership is the service provider most likely to overcharge for vehicle repair work.

Company Risks

Reliance on Specific Car Manufacturers

Repair shops typically develop expertise in a specific make of car. Company profitability can be dependent on the success or failure of the manufacturers of the cars the shop specializes in. With the recent downturn in the automobile industry, many dealerships specializing in European cars, high-end vehicles, and certain domestic models have been forced to alter their business, merge with competitors, or close down entirely.

Sensitivity to Customer Reviews

Customers tend not to trust auto repair shops, and with the advent of online review sites, shop owners must carefully monitor what customers are saying about their services and prices. Negative word-of-mouth can have a major effect on an auto repair shop's bottom line.

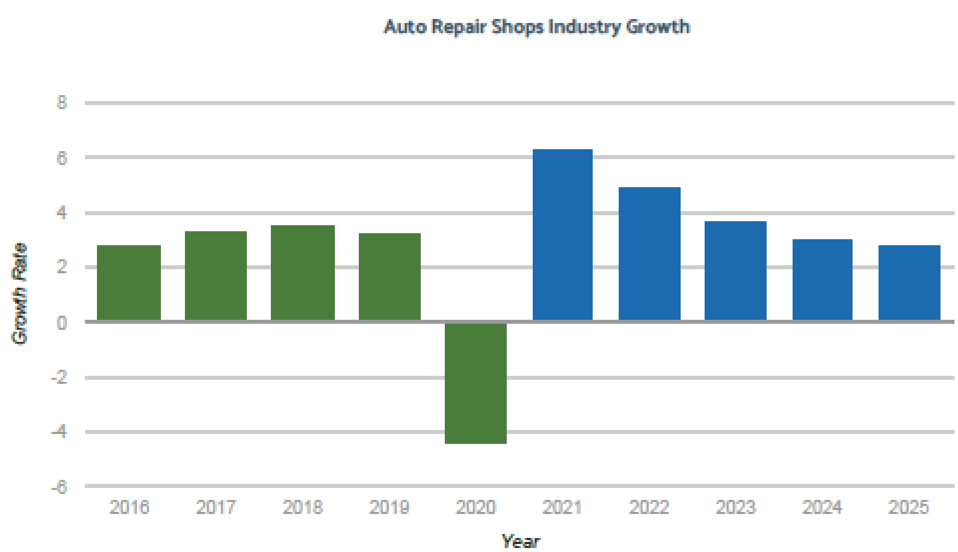
Low Repeat Business

Repair shops rely on repeat business from customers to build a steady service volume. An ongoing relationship with customers leads to more predictable business and reduces collection issues. Building repeat business requires shops to maintain accurate records of customer vehicles and repair histories, along with ensuring customers are satisfied with repairs and charges. Shops that fail to invest in information systems for tracking customer records are less likely to maintain a high level of repeat business.

Industry Forecast

Sales for the US auto repair shops industry are forecast to grow at a 2.67% compounded annual rate from 2019 to 2025, slower than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.



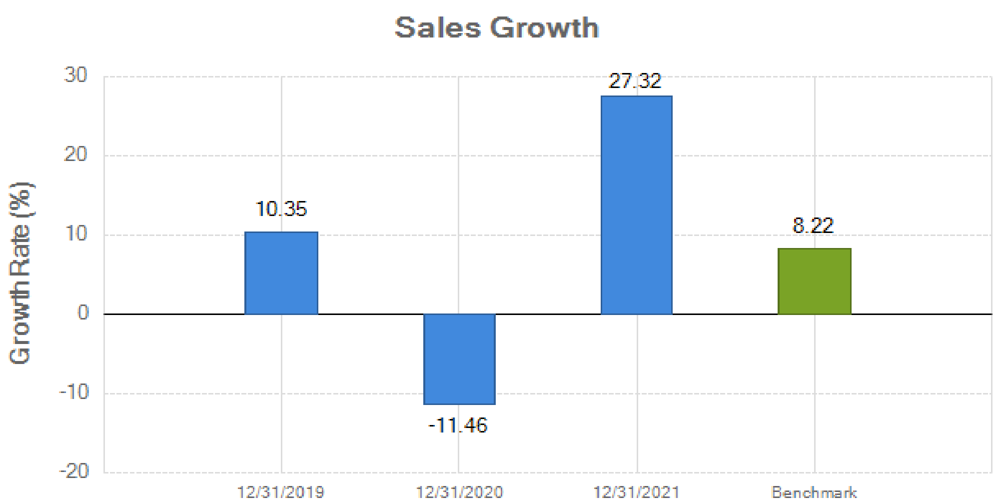
Niche Market – Transmisson Shops

- In 2019, industry sales were $2.4 billion
- Over the past 3 years, the industry has declined at an annual rate of -0.9%
- There are 4,567 companies in the industry
- In 2019, the average sales per company was $.5 million
- For unprofitable companies, the average net loss is -6.7%
- Employee productivity is $124,634
- In 2019, industry operating expenses declined -0.6%
- In 2019, payroll per employee was $37,931
- 3.4% of employees in the industry are in management positions
- The average industry hourly pay for office and administrative jobs is $16.62

Financial Analysis

Sales Analysis

The Company experienced an increase in sales over the prior year. The following chart shows the sales growth between 2018 and 2021 compared to the average for other companies in the same industry.



Income Statement Analysis

The following common size income statement reflects the Company's historical and current performance with each account expressed as a percentage of sales. The percentages shown are calculated before any normalizing adjustments, if applicable.

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	Industry Data
Sales (Income)					
Total Sales (Income)	100.00%	100.00%	100.00%	100.00%	100.00 %
Cost of Sales (COGS)					
Direct Materials	0.00 %	0.00 %	0.00 %	0.00 %	
Direct Labor	0.00 %	0.00 %	0.00 %	0.00 %	
Depreciation (COGS-related)	0.00 %	0.00 %	0.00 %	0.00 %	
Total Cost of Sales (COGS)	26.69 %	38.74 %	19.46 %	19.07 %	52.71 %
Gross Profit	73.31 %	61.26 %	80.54 %	80.93 %	47.29 %
Depreciation					
Total Depreciation	0.62 %	1.33 %	2.04 %	1.81 %	1.64 %
Amortization					
Total Amortization	0.00 %	0.00 %	0.00 %	0.00 %	--

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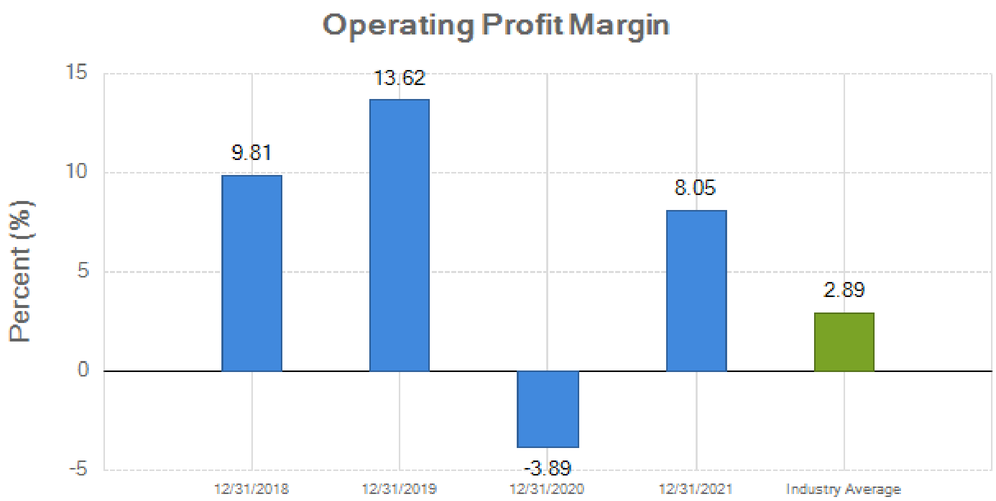
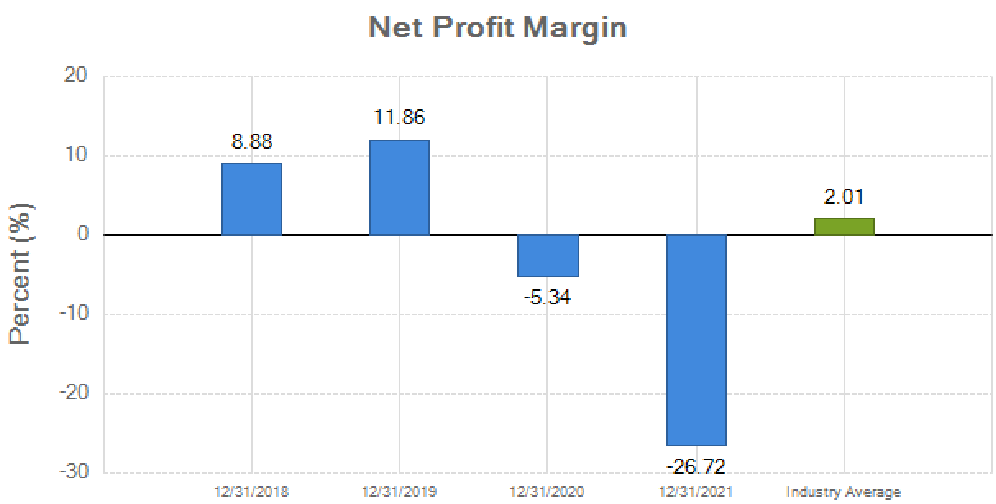
	12/31/2021	12/31/2020	12/31/2019	12/31/2018	Industry Data
Overhead or S,G,& A Expenses					
G & A Payroll Expense	31.93 %	35.54 %	36.27 %	44.11 %	10.82 %
Rent	4.30 %	4.24 %	5.30 %	4.40 %	5.40 %
Advertising	0.00 %	0.00 %	0.00 %	0.00 %	1.67 %
Executive Compensation	4.42 %	3.93 %	2.36 %	2.53 %	--
Bad Debts	0.37 %	0.00 %	0.00 %	0.03 %	--
Taxes & Licenses	4.01 %	4.61 %	4.17 %	4.64 %	--
Repairs & Maintenance	0.11 %	0.00 %	0.18 %	0.22 %	--
Total Overhead or S,G,& A Expenses	45.13 %	48.31 %	48.27 %	55.94 %	39.90 %
Other Operating Income					
Total Other Operating Income	0.00 %	0.00 %	0.00 %	0.00 %	--
Other Operating Expenses					
Automobile Expense	2.10 %	1.84 %	2.06 %	1.66 %	--
Credit Card	0.60 %	0.48 %	0.77 %	0.65 %	--
Dues & Subscriptions	0.19 %	0.16 %	0.22 %	0.28 %	--
Equipment Rental	0.23 %	0.46 %	0.18 %	0.14 %	--
Insurance	3.23 %	3.24 %	3.74 %	4.19 %	--
Office Supplies	0.12 %	0.17 %	0.22 %	0.40 %	--
Prior Year Adjustment	0.00 %	0.00 %	1.73 %	0.00 %	--
Professional Fees	3.18 %	0.47 %	0.57 %	0.07 %	--
Shipping	6.43 %	4.17 %	2.68 %	0.60 %	--
Telephone	0.33 %	0.40 %	0.26 %	0.29 %	--
Tools	0.13 %	0.33 %	0.20 %	0.60 %	--
Travel & Ent	0.00 %	0.05 %	0.29 %	0.49 %	--
Uniforms	0.36 %	0.45 %	0.51 %	0.71 %	--
Utilities	1.80 %	2.28 %	2.26 %	2.38 %	--
Other Operating Expenses	0.81 %	1.02 %	0.93 %	0.91 %	--
Total Other Operating Expenses	19.51 %	15.51 %	16.61 %	13.37 %	2.96 %
Operating Profit	8.05 %	-3.89 %	13.62 %	9.81 %	2.89 %
Interest Expense					
Total Interest Expense	0.40 %	1.83 %	1.76 %	0.93 %	0.52 %
Other Income					
Total Other Income	0.00 %	0.39 %	0.00 %	0.00 %	--
Other Expenses					
Total Other Expenses	34.37 %	0.00 %	0.00 %	0.00 %	0.46 %
Net Profit Before Taxes	-26.72 %	-5.34 %	11.86 %	8.88 %	2.01 %
Taxes Paid					
Total Taxes Paid	0.00 %	0.00 %	0.00 %	0.00 %	--
Extraordinary Gain					
Total Extraordinary Gain	0.00 %	0.00 %	0.00 %	0.00 %	--
Extraordinary Loss					
Total Extraordinary Loss	0.00 %	0.00 %	0.00 %	0.00 %	--
Net Income	**-26.72 %**	**-5.34 %**	**11.86 %**	**8.88 %**	**2.01 %**

As seen in the common size statement, the Company's gross profit percentage has gone from 80.93% to 73.31% over the period being analyzed. The Company's operating profit percentage has gone from 9.81% to 8.05% over the same period.

The Company's gross margin in 2021 is 2,602 basis points above the industry average. The Company generated an operating profit margin that is 516 basis points above the industry average. See the following three charts for additional information related to trends in the Company's margins.





Balance Sheet Analysis

The following common size balance sheet reflects the Company's historical and current performance as shown as a percentage of total assets. The percentages shown are calculated before any normalizing adjustments, if applicable.

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	Industry Data
Cash (Bank Funds)					
Total Cash (Bank Funds)	4.93 %	0.91 %	0.02 %	0.61 %	29.08 %
Accounts Receivable					
Total Accounts Receivable	18.85 %	19.54 %	19.01 %	21.59 %	6.76 %
Inventory					
Total Inventory	8.15 %	3.88 %	4.06 %	0.47 %	9.83 %
Other Current Assets					
Total Other Current Assets	21.23 %	19.22 %	16.96 %	14.74 %	6.15 %

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	12/31/2021	12/31/2020	12/31/2019	12/31/2018	Industry Data
Total Current Assets	53.17 %	43.54 %	40.05 %	37.41 %	71.24 %
Gross Fixed Assets					
Total Gross Fixed Assets	24.28 %	23.47 %	26.57 %	25.88 %	143.71 %
Accumulated Depreciation					
Total Accumulated Depreciation	21.52 %	19.97 %	21.44 %	19.30 %	962.13 %
Net Fixed Assets	2.76 %	3.50 %	5.13 %	6.58 %	21.61 %
Gross Intangible Assets					
Total Gross Intangible Assets	0.00 %	0.00 %	0.00 %	0.00 %	0.53 %
Accumulated Amortization					
Total Accumulated Amortization	0.00 %	0.00 %	0.00 %	0.00 %	0.53 %
Net Intangible Assets	0.00 %	0.00 %	0.00 %	0.00 %	--
Other Assets					
Total Other Assets	44.07 %	52.96 %	54.82 %	56.00 %	7.15 %
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00 %**
Accounts Payable					
Total Accounts Payable	1.74 %	7.95 %	5.73 %	5.32 %	12.71 %
Short Term Debt					
Total Short Term Debt	0.00 %	0.00 %	0.00 %	0.00 %	--
Notes Payable / Current Portion of Long Term Debt					
Total Notes Payable / Current Portion of Long Term Debt	0.00 %	0.00 %	0.00 %	0.00 %	--
Other Current Liabilities					
Total Other Current Liabilities	80.83 %	68.43 %	62.14 %	59.56 %	0.36 %
Total Current Liabilities	82.57 %	76.38 %	67.87 %	64.87 %	52.29 %
Notes Payable / Senior Debt					
Total Notes Payable / Senior Debt	0.00 %	0.00 %	0.00 %	0.00 %	2.10 %
Notes Payable / Subordinated Debt					
Total Notes Payable / Subordinated Debt	0.00 %	0.00 %	0.00 %	0.00 %	--
Other Long Term Liabilities					
Total Other Long Term Liabilities	60.24 %	22.23 %	24.80 %	27.20 %	--
Total Long Term Liabilities	60.24 %	22.23 %	24.80 %	27.20 %	2.10 %
Total Liabilities	142.81 %	98.61 %	92.67 %	92.07 %	60.68 %
Preferred Stock					
Total Preferred Stock	0.00 %	0.00 %	0.00 %	0.00 %	--
Common Stock					
Total Common Stock	0.04 %	0.04 %	0.04 %	0.04 %	0.71 %
Additional Paid-in Capital					
Total Additional Paid-in Capital	0.00 %	0.00 %	0.00 %	0.00 %	--
Other Stock / Equity					
Total Other Stock / Equity	0.00 %	0.00 %	0.00 %	0.00 %	--
Ending Retained Earnings					
Total Ending Retained Earnings	-42.85 %	1.35 %	7.28 %	7.88 %	37.08 %
Total Equity	**-42.81 %**	**1.39 %**	**7.33 %**	**7.93 %**	**-78.28 %**
Total Liabilities + Equity	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

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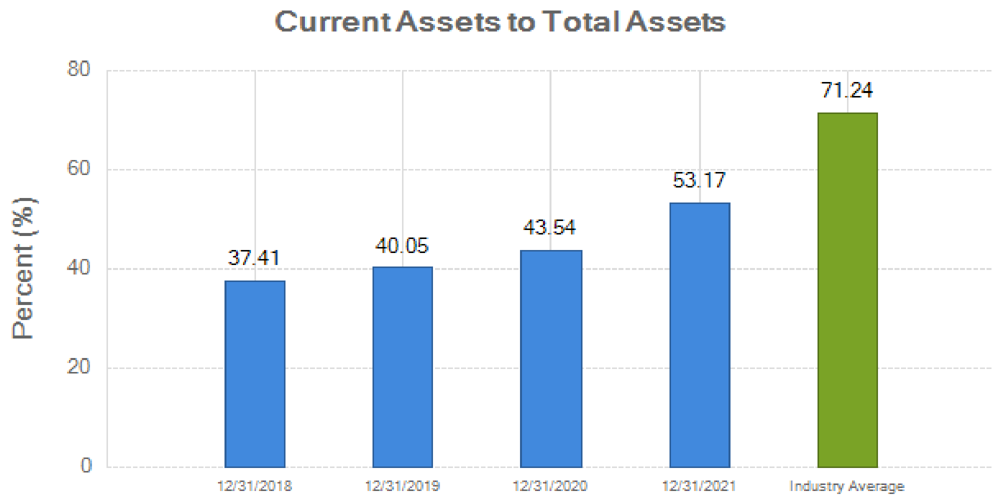
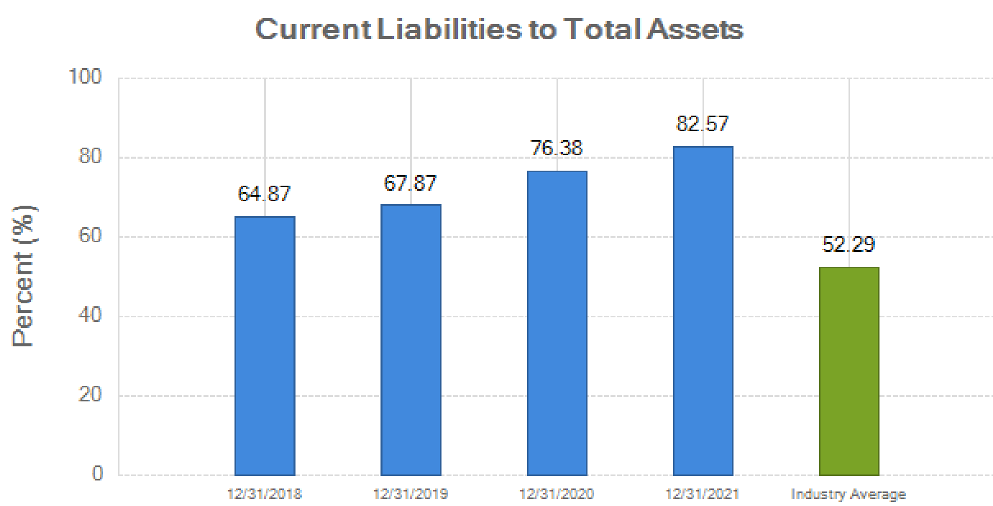
The Company has experienced an increase in current assets, as a percentage of total assets, over the prior 4 periods. The Company's current assets, as a percentage of total assets, are below the industry average.



Current liabilities, as a percentage of total assets, have experienced an increase over the last 4 periods. The Company's current liabilities, as a percentage of total assets, are above the industry average.



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Ratio Analysis

The following table contains various ratios that can be valuable in the analysis of the subject company.

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	Industry Data
Liquidity Ratios					
Current Ratio	0.64	0.57	0.59	0.58	0.58
Quick Ratio	0.29	0.27	0.28	0.34	0.38
WC to Total Assets	-0.29	-0.33	-0.28	-0.27	0.00
Activity Ratios					
AR Turnover (Avg.)	14.71	5.57	6.30	--	--
AR Turnover (End)	7.35	5.39	6.54	5.09	--
AR Days	49.64	67.76	55.79	71.76	8.59
AP Turnover (Avg.)	42.45	8.46	3.45	--	--
AP Turnover (End)	21.23	5.13	4.23	3.94	--
AP Days	17.20	71.18	86.34	92.65	33.01
Inventory Turnover (Avg.)	9.08	6.94	5.96	--	--
Inventory Turnover (End)	4.54	10.51	5.96	44.18	--
Inventory Days	80.41	34.71	61.19	8.26	9.60
Asset Turnover	1.39	1.05	1.24	1.10	0.00
Profitability Ratios					
Return on Assets	-0.37	-0.06	0.15	0.10	0.62
Return on Equity	--	-4.05	2.01	1.23	0.18
Gross Profit Margin	0.73	0.61	0.81	0.81	0.47
EBITDA Margin	-0.26	-0.02	0.16	0.12	0.04
Net Profit Margin	-0.27	-0.05	0.12	0.09	0.02
Leverage Ratios					
Total Debt to Assets	0.00	0.00	0.00	0.00	0.61
Long Term Debt to Equity	0.00	0.00	0.00	0.00	0.00
Long Term Debt to Total Capital	0.00	0.00	0.00	0.00	0.00
Equity to Total Capital	1.00	1.00	1.00	1.00	0.00
Debt to EBITDA	--	--	0.00	0.00	8.39
Coverage Ratios					
Interest Coverage Ratio	-64.45	-1.18	8.91	12.48	10.16
Debt Service Coverage Ratio	-64.45	-1.18	8.91	--	8.02
Fixed Charge Ratio	-61.00	-1.48	8.42	--	--
Risk Ratios					
Operating Leverage	0.08	6.43	38.29	3.70	--
Financial Leverage	-3.32	-0.61	0.71	0.93	--
Utilization Ratios					
Sales to Working Capital	4.72	3.20	4.47	4.00	16.59
Sales to Fixed Assets	50.18	30.06	24.25	16.68	0.00
Sales to Equity	-3.24	75.90	16.98	13.86	0.00

Company Liquidity

Liquidity is a measure of the quality and adequacy of current assets to meet current obligations as they come due. It indicates how quickly a firm can convert its assets to cash—without a loss in value—in order to meet its immediate and short-term obligations. For firms such as utilities that can readily and accurately predict their cash inflows, liquidity is not nearly as critical as it is for firms such as airlines or manufacturing businesses having wide fluctuations in demand and revenue streams. Liquidity ratios

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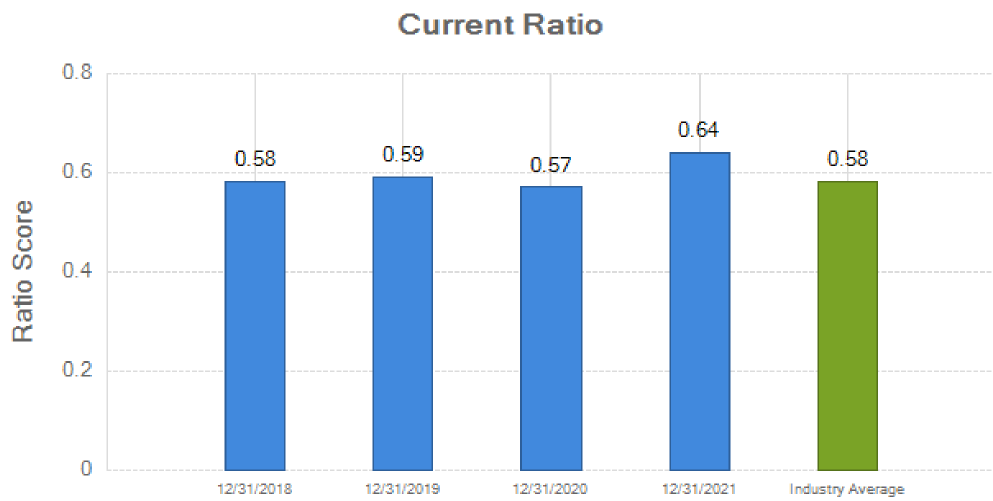
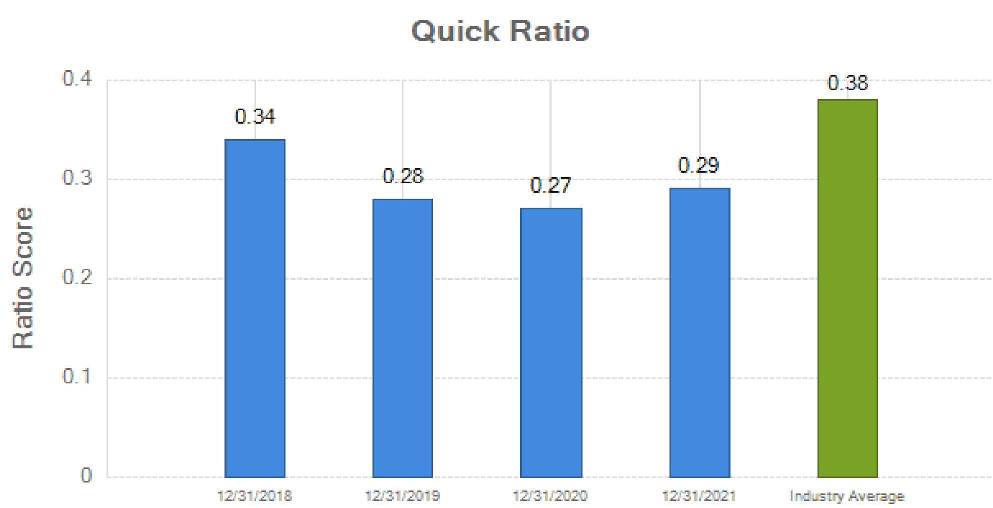
serve as a means of conveying to lenders and potential investors the financial strengths of the firm, and the ability to repay any funds borrowed as they are due.

There has been an increase in the Company's current ratio over the 4 periods subject to review. The company's current ratio of 0.64 is above the industry average.

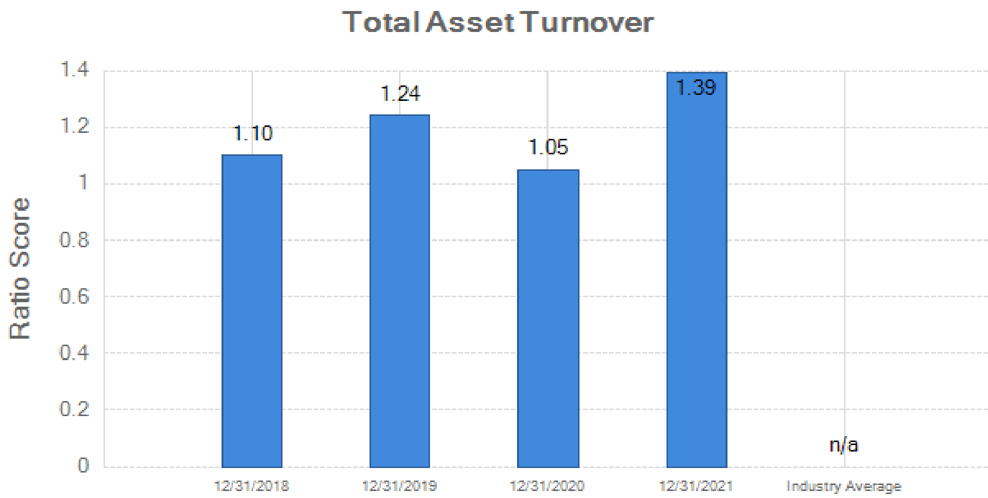


The Company's quick ratio has experienced a decrease over the previous 4 periods and is below that of the industry. Also known as the "acid test" ratio, this is a stricter, more conservative measure of liquidity than the current ratio. The ratio reflects the degree to which a company's current liabilities are covered by its most liquid current assets. The assets included in the quick ratio are highly liquid assets that can be converted to cash at their approximate carrying value. Inventory, prepaid expenses and other less liquid current assets are not included in the calculation. Generally, if the ratio produces a value that's less than 1 to 1, it implies a dependency on inventory or other less liquid current assets to liquidate current liabilities.

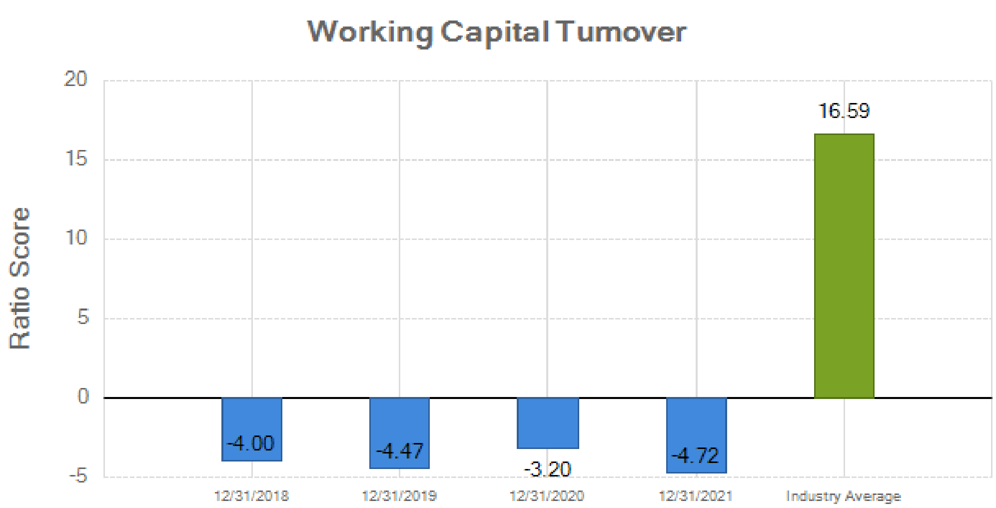


Company Asset Utilization

The Company is currently generating around $1.39 of sales for every dollar invested in assets. The Company has seen an increase in its asset turnover over the review period.



For every dollar invested in working capital, the company is generating -$4.72 in sales. The Company has seen a decrease over the previous 4 periods. Total sales, per dollar of working capital, are below the industry average. The working capital turnover ratio measures how well a company is utilizing its working capital to support a given level of sales. Working capital is current assets minus current liabilities. A high turnover ratio indicates that management is being extremely efficient in using a firm's short-term assets and liabilities to support sales. Conversely, a low ratio indicates that a business is investing in too many accounts receivable and inventory assets to support its sales, which could eventually lead to an excessive amount of bad debts and obsolete inventory.



Financial Adjustments

An analysis of the Company's historical revenue trends, earnings growth and financial condition serves to place its financial performance in a historical context and provides a starting point for estimating the Company's future financial performance. The historical financial information presented in the Exhibits of this report are included solely to assist in the determination of the conclusion of value and they should not be used for any other purpose.

The financial statements of the Company are presented below. Analysis of the tax returns and financial statements reveals to the appraiser the current financial condition of the Company, its historical consistency, its cyclical trends and its comparison to other companies in the same industry. The purpose of this analysis is to identify financial safety or risk present in the Company. Our analysis will include adjusted financial statements of the Company to reflect a typical year, the statements are then analyzed by comparing ratios and percentages to industry peers. We used CPA-prepared financial statements for 2018-2020 and internal financial statements through June 2021. In our analysis, we are able to reach conclusions and estimate risk factors and parallel those factors with those of investors in a free and open marketplace, thereby allowing us to estimate the value of the interest in the assignment.

Normalization Adjustments

Certain adjustments may be made to the financial statements of the subject company in order to make the financial information more closely reflect the company's true economic financial position and results of operations on a historical and current basis. Balance sheet adjustments are made to reflect the current market values of the company's assets and liabilities. Income statement adjustments are made to reflect the true economic results of operations similar to what a prospective buyer might expect. These adjustments are referred to as normalizing adjustments. Normalizing adjustments generally fall into one of the three categories presented below.

Normalizing adjustments generally fall into one of the following categories:

Comparability Adjustments

These adjustments are made to the subject company's financial statements in order to make the subject company more comparable to companies in its respective industry that were used in comparative ratio analyses. For example, a comparability adjustment would be made if the subject company uses the last-in, first-out (LIFO) method to value inventory while the rest of the industry uses the first-in, first-out (FIFO) method.

Non-operating/Non-recurring Adjustments

Non-operating assets or liabilities are removed from the balance sheet in order to reflect a more reliable value of the operating company. Nonrecurring income or expense adjustments are removed from the income statement because they are either unrelated to the business operations or unlikely to recur in the future. The non- operating assets or liabilities are then added or subtracted to the indicated value to determine the total equity value of the subject company. The nonrecurring adjustments are not replaced since they do not reflect the ordinary business operations of the subject company.

Discretionary Adjustments

Discretionary adjustments are usually expenses that are not essential for the operation of the business. These expenses are generally under the sole discretion of management, or more commonly the owners of the subject company. Discretionary expenses are often described as personal wants or desires opposed to actual business needs. Therefore, the adjustments represent the difference between the recorded expense and what the expense would have been in a well-run public company.

We are valuing a controlling interest basis; therefore, adjustments that require control are appropriate. Adjustments to the income statements and balance sheet are considered in the following sections.

Normalization Adjustments:

	Fiscal Years Ending	Proj. (1) 2021	FYE 2020	FYE 2019	FYE 2018
1	Owners Salary Adjustment	35,000	(8,783)	(41,199)	(43,117)
2	Legal & Professional Expenses	89,388	-	-	-
3	Rent Adjustments	21,106	(10,657)	34,192	(3,957)
4	Other One-Time Expenses/Revenues	1,128,190	(10,000)	50,447	-
	Total Normalization Adjustments	**1,273,684**	**(29,440)**	**43,440**	**(47,074)**

1 Adjustments were made to the income statement to normalize performance common to any one owner-operator. The owner works full time managing the business. Per industry standards, you could replace the owner with a salary of $110,000. See the Exhibits section for the owners compensation analysis.

2 The appraiser added back excessive legal and professional fees in 2021. Based on historicals, an average professional fees of $15,000 a year is reasonable.

3 The real estate is owned by a related entity. To properly value the business, the rent was adjusted to a market industry rate based on a estimated real estate value of $1.2M.

4 The appraiser added back any one-time or non-operating income and expenses for all years in review. In 2021, a non-recurring expense of $1.28M was reported relating to the Transtar Liability.

Income Statement

	Projected 12/31/2021	Adjustments	Normalized 12/31/2021	Historical 12/31/2020	Adjustments	Normalized 12/31/2020	Historical 12/31/2019	Adjustments	Normalized 12/31/2019	Historical 12/31/2018	Adjustments	Normalized 12/31/2018
Sales (Income)												
Total Sales (Income)	$3,282,436	$0	$3,282,436	$2,578,161	$0	$2,578,161	$2,911,711	$0	$2,911,711	$2,638,660	$0	$2,638,660
Cost of Sales (COGS)												
Direct Materials	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Direct Labor	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Depreciation (COGS-related)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cost of Sales (COGS)	$876,022	$0	$876,022	$998,884	$0	$998,884	$566,634	$0	$566,634	$503,151	$0	$503,151
Gross Profit	$2,406,414	$0	$2,406,414	$1,579,277	$0	$1,579,277	$2,345,077	$0	$2,345,077	$2,135,509	$0	$2,135,509
Depreciation												
Total Depreciation	$20,356	$0	$20,356	$34,295	$0	$34,295	$59,498	$0	$59,498	$47,668	$0	$47,668
Amortization												
Total Amortization	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Overhead or S,G,& A Expenses												
G & A Payroll Expense	$1,047,964	$0	$1,047,964	$916,160	$0	$916,160	$1,056,032	$0	$1,056,032	$1,163,981	$0	$1,163,981
Rent	$141,106	($21,106)	$120,000	$109,343	$10,657	$120,000	$154,192	($34,192)	$120,000	$116,043	$3,957	$120,000
Advertising	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Executive Compensation	$145,000	($35,000)	$110,000	$101,217	$8,783	$110,000	$68,801	$41,199	$110,000	$66,883	$43,117	$110,000
Bad Debts	$12,147	$0	$12,147	$0	$0	$0	$0	$0	$0	$900	$0	$900
Taxes & Licenses	$131,604	$0	$131,604	$118,745	$0	$118,745	$121,360	$0	$121,360	$122,563	$0	$122,563
Repairs & Maintenance	$3,562	$0	$3,562	$0	$0	$0	$5,099	$0	$5,099	$5,785	$0	$5,785
Total Overhead or S,G,& A Expenses	$1,481,383	($56,106)	$1,425,277	$1,245,465	$19,440	$1,264,905	$1,405,484	$7,007	$1,412,491	$1,476,155	$47,074	$1,523,229
Other Operating Income												
Total Other Operating Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Operating Expenses												
Automobile Expense	$69,076	$0	$69,076	$47,345	$0	$47,345	$59,965	$0	$59,965	$43,812	$0	$43,812
Credit Card	$19,590	$0	$19,590	$12,261	$0	$12,261	$22,369	$0	$22,369	$17,136	$0	$17,136
Dues & Subscriptions	$6,338	$0	$6,338	$4,016	$0	$4,016	$6,361	$0	$6,361	$7,406	$0	$7,406
Equipment Rental	$7,566	$0	$7,566	$11,744	$0	$11,744	$5,337	$0	$5,337	$3,765	$0	$3,765
Insurance	$105,944	$0	$105,944	$83,447	$0	$83,447	$108,842	$0	$108,842	$110,617	$0	$110,617
Office Supplies	$4,012	$0	$4,012	$4,390	$0	$4,390	$6,285	$0	$6,285	$10,665	$0	$10,665
Prior Year Adjustment	$0	$0	$0	$0	$0	$0	$50,477	($50,477)	$0	$0	$0	$0
Professional Fees	$104,388	($89,388)	$15,000	$12,200	$0	$12,200	$16,500	$0	$16,500	$1,724	$0	$1,724
Shipping	$211,174	$0	$211,174	$107,587	$0	$107,587	$78,000	$0	$78,000	$15,890	$0	$15,890
Telephone	$10,748	$0	$10,748	$10,389	$0	$10,389	$7,556	$0	$7,556	$7,555	$0	$7,555
Tools	$4,274	$0	$4,274	$8,456	$0	$8,456	$5,927	$0	$5,927	$15,856	$0	$15,856
Travel & Ent	$30	$0	$30	$1,323	$0	$1,323	$8,367	$0	$8,367	$12,939	$0	$12,939
Uniforms	$11,908	$0	$11,908	$11,615	$0	$11,615	$14,889	$0	$14,889	$18,641	$0	$18,641
Utilities	$58,936	$0	$58,936	$58,828	$0	$58,828	$65,794	$0	$65,794	$62,862	$0	$62,862
Other Operating Expenses	$26,580	$0	$26,580	$26,200	$0	$26,200	$26,986	$0	$26,986	$24,044	$0	$24,044
Total Other Operating Expenses	$640,564	($89,388)	$551,176	$399,801	$0	$399,801	$483,655	($50,477)	$433,178	$352,912	$0	$352,912
Operating Profit	$264,111	$145,494	$409,605	($100,284)	($19,440)	($119,724)	$396,440	$43,470	$439,910	$258,774	($47,074)	$211,700
Interest Expense												
Total Interest Expense	$13,092	$0	$13,092	$47,267	$0	$47,267	$51,152	$0	$51,152	$24,550	$0	$24,550
Other Income												
Total Other Income	$0	$0	$0	$10,000	($10,000)	$0	$0	$0	$0	$0	$0	$0
Other Expenses												
Total Other Expenses	$1,128,190	($1,128,190)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit Before Taxes	($877,171)	$1,273,684	$396,513	($137,551)	($29,440)	($166,991)	$345,288	$43,470	$388,758	$234,224	($47,074)	$187,150
Taxes Paid												
Total Taxes Paid	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Income	($877,171)	$1,273,684	$396,513	($137,551)	($29,440)	($166,991)	$345,288	$43,470	$388,758	$234,224	($47,074)	$187,150

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Balance Sheet

	Historical 6/30/2021	Adjustments	Normalized 6/30/2021	Historical 12/31/2020	Adjustments	Normalized 12/31/2020	Historical 12/31/2019	Adjustments	Normalized 12/31/2019	Historical 12/31/2018	Adjustments	Normalized 12/31/2018
Cash (Bank Funds)												
Total Cash (Bank Funds)	$116,767	$0	$116,767	$22,316	$0	$22,316	$454	$0	$454	$14,566	$0	$14,566
Accounts Receivable												
Total Accounts Receivable	$446,431	$0	$446,431	$478,596	$0	$478,596	$445,091	$0	$445,091	$518,757	$0	$518,757
Inventory												
Total Inventory	$193,000	$0	$193,000	$95,000	$0	$95,000	$95,000	$0	$95,000	$11,388	$0	$11,388
Other Current Assets												
Total Other Current Assets	$502,777	$0	$502,777	$470,740	$0	$470,740	$396,984	$0	$396,984	$354,210	$0	$354,210
Total Current Assets	$1,258,975	$0	$1,258,975	$1,066,652	$0	$1,066,652	$937,529	$0	$937,529	$898,921	$0	$898,921
Gross Fixed Assets												
Total Gross Fixed Assets	$574,948	$0	$574,948	$574,948	$0	$574,948	$621,952	$0	$621,952	$621,952	$0	$621,952
Accumulated Depreciation												
Total Accumulated Depreciation	$509,536	$0	$509,536	$489,180	$0	$489,180	$501,889	$0	$501,889	$463,741	$0	$463,741
Net Fixed Assets	$65,412	$0	$65,412	$85,768	$0	$85,768	$120,063	$0	$120,063	$158,211	$0	$158,211
Gross Intangible Assets												
Total Gross Intangible Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Amortization												
Total Accumulated Amortization	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Intangible Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Assets												
Total Other Assets	$1,043,415	$0	$1,043,415	$1,297,357	$0	$1,297,357	$1,283,337	$0	$1,283,337	$1,345,679	$0	$1,345,679
Total Assets	**$2,367,802**	**$0**	**$2,367,802**	**$2,449,777**	**$0**	**$2,449,777**	**$2,340,929**	**$0**	**$2,340,929**	**$2,402,811**	**$0**	**$2,402,811**
Accounts Payable												
Total Accounts Payable	$41,271	$0	$41,271	$194,799	$0	$194,799	$134,029	$0	$134,029	$127,722	$0	$127,722
Short Term Debt												
Total Short Term Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Notes Payable / Current Portion of Long Term												
Total Notes Payable/Current Portion of Long	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Current Liabilities												
Total Other Current Liabilities	$1,913,859	($483,616)	$1,430,243	$1,676,441	($241,750)	$1,434,691	$1,454,751	$0	$1,454,751	$1,431,068	$0	$1,431,068
Total Current Liabilities	$1,955,130	($483,616)	$1,471,514	$1,871,240	($241,750)	$1,629,490	$1,588,780	$0	$1,588,780	$1,558,790	$0	$1,558,790
Notes Payable / Senior Debt												
Total Notes Payable / Senior Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Notes Payable / Subordinated Debt												
Total Notes Payable / Subordinated Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Long Term Liabilities												
Total Other Long Term Liabilities	$1,426,329	($1,200,000)	$226,329	$544,568	($78,500)	$466,068	$580,629	$0	$580,629	$653,590	$0	$653,590
Total Long Term Liabilities	$1,426,329	($1,200,000)	$226,329	$544,568	($78,500)	$466,068	$580,629	$0	$580,629	$653,590	$0	$653,590
Total Liabilities	$3,381,459	($1,683,616)	$1,697,843	$2,415,808	($320,250)	$2,095,558	$2,169,409	$0	$2,169,409	$2,212,380	$0	$2,212,380
Preferred Stock												
Total Preferred Stock	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Common Stock												
Total Common Stock	$1,000	$0	$1,000	$1,000	$0	$1,000	$1,000	$0	$1,000	$1,000	$0	$1,000
Additional Paid-in Capital												
Total Additional Paid-in Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Stock / Equity												
Total Other Stock / Equity	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Retained Earnings												
Total Ending Retained Earnings	($1,014,657)	$1,683,616	$668,959	$32,969	$320,250	$353,219	$170,520	$0	$170,520	$189,431	$0	$189,431
Total Equity	($1,013,657)	$1,683,616	$669,959	$33,969	$320,250	$354,219	$171,520	$0	$171,520	$190,431	$0	$190,431
Total Liabilities + Equity	**$2,367,802**	**$0**	**$2,367,802**	**$2,449,777**	**$0**	**$2,449,777**	**$2,340,929**	**$0**	**$2,340,929**	**$2,402,811**	**$0**	**$2,402,811**

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The appraiser removed the PPP loan and the Transtar liability from the balance sheets. The PPP loan is forgivable and the Transtar liability is not part of the normal operating business balance sheet. The new buyer will have no liability relating to Transtar.

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Statement of Cash Flow Sheet

	12/31/2021	12/31/2020	12/31/2019
Cash Flow from Operations			
Sales (Income)	$3,282,436	$2,578,161	$2,911,711
Cost of Sales (COGS)	$876,022	$998,884	$566,634
Gross Profit	**$2,406,414**	**$1,579,277**	**$2,345,077**
Depreciation	$20,356	$34,295	$59,498
Amortization	$0	$0	$0
Overhead or S,G,&A Expenses	$1,425,277	$1,264,905	$1,412,491
Other Operating Income	$0	$0	$0
Other Operating Expenses	**$551,176**	**$399,801**	**$433,178**
Operating Profit	$409,605	($119,724)	$439,910
Interest Expense	$13,092	$47,267	$51,152
Other Income	$0	$0	$0
Other Expenses	$0	$0	$0
Net Profit Before Taxes	**$396,513**	**($166,991)**	**$388,758**
Taxes Paid	$0	$0	$0
Extraordinary Gain	$0	$0	$0
Extraordinary Loss	$0	$0	$0
Net Income	**$396,513**	**($166,991)**	**$388,758**
Add Back Depreciation	$20,356	$34,295	$59,498
Add Back Amortization	$0	$0	$0
Decrease (Increase) in Accounts Receivable	$32,165	($33,505)	$73,666
Decrease (Increase) in Inventory	($98,000)	$0	($83,612)
Decrease (Increase) in Other Current Assets	($32,037)	($73,756)	($42,774)
Increase (Decrease) in Accounts Payable	($153,528)	$60,770	$6,307
Increase (Decrease) in Other Current Liabilities	($4,448)	($20,060)	$23,683
Cash Flow from Operations	**$161,021**	**($199,247)**	**$425,526**
Cash Flow from Investments			
Capital Expenditures	$0	$0	($21,350)
Decrease (Increase) in Intangible Assets	$0	$0	$0
Decrease (Increase) in Other Assets	$253,942	($14,020)	$62,342
Cash Flow from Investments	**$253,942**	**($14,020)**	**$40,992**
Cash Flow from Financing Activities			
Increase (Decrease) in Short Term Debt	$0	$0	$0
Increase (Decrease) in Current Long Term Debt	$0	$0	$0
Increase (Decrease) in Senior Debt	$0	$0	$0
Increase (Decrease) in Subordinated Debt	$0	$0	$0
Increase (Decrease) in Other Long Term Liabilities	($239,739)	($114,561)	($72,961)
Increase (Decrease) in Preferred Stock	$0	$0	$0
Increase (Decrease) in Common Stock	$0	$0	$0
Increase (Decrease) in Additional Paid-in Capital	$0	$0	$0
Increase (Decrease) in Other Stock	$0	$0	$0
Dividends Paid / Withdrawals	$0	$0	$0
Other Changes to Retained Earnings	($80,773)	$349,690	($407,669)
Unexplained Changes to Retained Earnings	$0	$0	$0
Cash Flow from Financing Activities	**($320,512)**	**$235,129**	**($480,630)**
Net Free Cash Flow	**$94,451**	**$21,862**	**($14,112)**
Beginning Total Cash	**$22,316**	**$454**	**$14,566**
Ending Total Cash	**$116,767**	**$22,316**	**$454**
Unexplained Change in Cash on Balance Sheet	**$0**	**$0**	**$0**

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Valuation of the Subject Company

As discussed in the introduction section of this report, the three approaches for valuing a company include the Income Approach, Market Approach, and Asset Approach.

In my determination of the fair market value of a 100.0% interest in the Acquired Assets, all three approaches to value were considered. I selected the Capitalization of Benefits method as the most appropriate for the Subject Interest.

The Income Approach

The income approach determines the value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount.

The application of the income approach establishes value by methods that discount or capitalize earnings and/or cash flow, by a discount or capitalization rate that reflects market rate of return expectations, market conditions, and the relative risk of the investment. Generally, this can be accomplished by the capitalization of earnings or cash flow method and/or the discounted cash flow method.

Dividend Paying Capacity

Dividend paying capacity can be important when valuing a company if data from comparable public companies is available or if minority interests are being valued. The dividend paying capacity of a company often represents the company’s net cash flow that is not needed for future growth. Dividends actually paid in the past may have no relation to a company’s dividend paying capacity because payment of dividends is discretionary.

Small, closely held companies typically do not pay dividends for a number of reasons. Stockholders/employees frequently withdraw excess cash flow in the form of salaries and bonuses, avoiding the double taxation of dividends. Many small businesses are undercapitalized with limited borrowing capacity so they need to retain more cash to fund operations and growth.

For these reasons dividend-paying capacity is a less reliable factor when valuing a controlling interest in a small, closely held company. Therefore, in this case, dividend-paying capacity was not taken into consideration.

Capitalization of Benefits Method

The Capitalization of Benefits Method is based on the assumption that the historical performance of a company is a strong indicator of future performance. Therefore, the company's historical cash flow can be capitalized at the appropriate rate to determine the value of the company. The capitalization rate used will be discussed in more detail in a later section of this report.

For the Income Approach, the Capitalization of Benefits model was selected with consistent year-over-year growth of 3% into perpetuity.

The market value of net cash flow to invested capital must be calculated before the model may be applied. The calculation of value may be applied to the normalized year to be used, grown by one year, or the value may be calculated and then adjusted backward one year if only historical performance is used. A future subject business year-over-year growth factor of 3% will be used as the basis for valuation under the income approach, due in part to past growth performance, and ongoing growth of that of the industry.

Next, interest, depreciation and amortization is added back to net income. The value is then adjusted for any future or ongoing increase or decrease in needed working capital, and capital expenditures. These values are added or subtracted as required.

The preliminary market value of invested capital (MVIC) is calculated by dividing the unlevered free cash flow by the converted capitalization rate. Next, to finalize the valuation conclusion, the MVIC must be converted to the indicated value by adjusting for the total acquired net excess / (deficiency) working capital assets over RMA industry and any acquired interest-bearing debt.

Reconciliation of Value

	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2018**
EBIT	$409,605	($119,724)	$439,910	$211,700
Less: Taxes	$118,785	$0	$127,574	$61,393
Plus: Depreciation and Amortization	$20,356	$34,295	$59,498	$47,668
Less: Change in Working Capital	$4,000	$4,000	$4,000	$4,000
Less: Capital Expenditures	$15,000	$15,000	$15,000	$15,000
Unlevered Free Cash Flow	$292,176	($104,429)	$352,834	$178,975
Weight	40%	30%	20%	10%

Weighted Average Cash Flow	$174,006
Growth Rate	3%
Future Cash Flow	$179,226
Discount Rate	23.07%
Capitalization Rate	20.07%
Market Value of Invested Capital	$919,796
Less: Acquired Interest-Bearing Debt	$0
Adjust: Working Capital Excess / (Deficiency) over RMA	$0
Capitalization of Benefits Valuation	$919,796
Other Adjustments	$0
Indicated Value (privately-marketable, controlling basis)	**$893,004**

Weighting is reasonable when the appraiser concludes the return of any one or more years is a more reliable indicator of future returns than are the returns of the other years. I analyzed the historical revenue and expenses, projections, and industry forecasts to arrive at a reasonable EBIT projection based on weighting historical years.

Tax Adjustment

Tax rate of 29% was applied to years 2018-2021.

Effective C-Corporate Tax Rate	
Subject Company Taxable Income (Highest Year)	396,513
Less: State Taxes (9.85%)	39,057
Before Federal Taxes	357,456
Less: Federal Taxes (21%)	75,066
Subtotal	282,391
Total Taxes	114,122
C-Corp Tax Rate	**29%**

Change in Working Capital

If a company is to remain solvent and able to meet its financial challenges, it will need more working capital (current assets in excess of current liabilities). Relying on the current working capital for the Company as being more than adequate, this adjustment assumes working capital will need to roughly maintain its relationship to the growth in sales. Assuming growth dictates additional working capital/cash requirements on a consistent basis, we will add cash outflow to our analysis in the amount of $4,000 annually. See working capital analysis below.

Change in Capital Expenditures

Capital expenditures are material items purchases which are expected to service operations for more than one year. Depreciation is the recovery of the investment in capital assets over a period of years. Generally speaking, this means the accountant for the company books capital assets and depreciates them over their useful lives or the period permitted for tax reporting. Assuming a growing viable company, as is the case here, more capital assets will be needed as the company grows and, assuming inflation, the replacements will cost more than the items being replaced. Over and above the replacements, additional capital assets will be needed due to increased levels of business.

Depreciation is a provider of net cash flow in that the depreciation amount is not paid out. Conversely, the capital expenditures amount is a use of net cash flow as amounts spent on capital assets are paid out. (To the extent borrowing is used, it is recognized in the net change in debt component.) Depreciation is reflected in the benefit stream by showing its impact for tax computation and then reversing the amount to show that it is not a use of cash.

We will use $15,000 as a rounded proxy for normal ongoing capital expenditures going forward.

Acquired Working Capital Analysis

An adjustment of $0 was made to adjust the normalized working capital excess / (deficiency) over RMA. The seller retains cash, accounts receivable and other short-term assets, as well as assuming all liabilities. Based on the RMA implied net working capital ratio, no further adjustment needed.

Working Capital Analysis		
Current Sales	$	3,288,478
RMA Sales / Working Capital Ratio		16.59
RMA Implied Net Working Capital	$	198,220
Long Term Growth Rate		2.00%
Working Capital Growth (rounded)	**$**	**4,000**
Acquired Working Capital	$	193,000
Working Capital Excess / (Deficiency) over RMA	**$**	**-**

The following business characteristics will affect the normal working capital amount:

- **Growth**: Generally speaking, a fast-growing company will need more working capital to fund receivable and inventory growth than a no-growth business;
- **Seasonality**: If the business is seasonal (for example, heavily dependent on Christmas sales) then, around Christmas working capital will be high, initially with inventory and then after Christmas receivables.
- **High Working Capital Business Model**: If payables are required to be paid quicker than receivables are collected (like staffing companies that typically have to pay contractors every two weeks while they get paid monthly) then working capital will need to be high;
- **Low Working Capital Business Model**: If cash is collected quicker than it is paid (like an online referral business that collects cash, has no inventory and does not have to pay its suppliers for 30-60 days) then working capital can be low.
- **Non-Operating Issues**: Private companies may not manage their working capital as efficiently as they can. They may leave cash in the business for tax reasons. This will inflate working capital, so it is important to determine the level required by the business.

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Non-Compete Agreement

A non-compete agreement is often provided as part of the proposed transaction. The agreement is often important because equipment to replicate the company's services or products is readily available. The value of this business lies in the relationships, experience and branding created by the current owner's involvement. The owner's or seller's willingness to not exploit existing professional relationships and market experience to reproduce a similar business once the subject business is sold is accounted for within the Capitalization Rate. The assumption within this business valuation is that the Company will continue as a going-concern, and profits will not be drastically hampered by a change of ownership.

Conclusion

As seen in the previous table, the indicated value conclusion using the Capitalization of Benefits method is $893,004. This method has merit for valuing this Subject Company and it was weighted at 100%. It captures an accurate cash flow and uses a capitalization rate specific to the company, as shown in detail later within this report.

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The Market Approach

The three most common methods for valuing a company under the Market Approach are the Guideline Public Company Method, the Guideline Company Transactions Method (also referred to as the Merged and Acquired Method), and the Prior Transaction in Subject Company Method. In addition, the Rule of Thumb Method can be used as a reasonableness check.

Merged and Acquired Method

This method compares the company's performance to peers inside of the industry that have been the subject of reported sales by business brokers. Database sources such as Institute of Business Appraisers (IBA), Bizcomps, PeerComps, and DealStats are common sources of transactional data. Once comparable transactions are found, the data is analyzed and evaluated for its dependability and then applied to the comparable income streams of the subject business.

SDE equals EBITDA plus one owner's salary and all financial benefits available to the owner, plus any one-time, discretionary or non-reoccurring charges. The financial basis used in this valuation is based upon on a weighted-average shown below.

Weighted-Average Financials				
Fiscal Years Ending	**Proj. (1)** 2021	**FYE** 2020	**FYE** 2019	**FYE** 2018
Adjusted Revenue	3,288,478	2,578,161	2,911,711	2,638,660
Adjusted EBITDA	429,961	(85,429)	499,378	259,368
Adjusted SDE	539,961	24,571	609,378	369,368
Weighted	40%	30%	20%	10%
Weighted-Average Revenue	**$2,935,048**			
Weighted-Average EBITDA	**$ 272,168**			
Weighted-Average SDE	**$ 382,168**			

(1) - 2021 Projected values using six months of historical data (Jan - Jun)

I use four databases to obtain transactional data: DealStats, Bizcomps, PeerComps, and the Institute of Business Appraisers (IBA) Database. Each database assembles transactional data somewhat differently than the others. Therefore, it is necessary to make various adjustments to the data points in each to make them reasonably comparable to each other.

IBA Database – the IBA database is the largest database with over 20,000 transactions. The average business represented in the database generates less than $1 million in annual sales with the data being collected primarily by business brokers.

Bizcomps – with data also collected by business brokers, this database is published by John Wiley & Sons and contains over 7,000 transactions with the average sales price of $270,000.

DealStats – this database is maintained by Business Valuation Resources and has over 7,300 transactions with the average market value of invested capital (MVIC) or “enterprise value” being $23 million.

PeerComps – the PeerComps database was published in 2009 (by GCF Valuation) and contains over 5,000 transactions. The information was gathered from SBA lenders and involves transactions specifically financed by the SBA.

Selected Market Comparisions

I am satisfied with the comparative analysis of the Subject Company relative to the selected guideline transactions and start the process of evaluating the various pricing multiples reported by each of the data services. According to the third edition of Valuing Small Businesses and Professional Practices, the selection and weighting of valuation multiples hinges on four general aspects of the available information: 1. Number of data points available 2. The comparability of data measurements, 3. The comparability of data patterns, and, 4. Apparent market reliance.

PeerComps Transactions

A search of PeerComps database of private company sales found 6 comparable private transactions for NAICS Code 811113.

The below transactions selected had a mean revenue of $1.66MM, EBITDA of $224M, and SDE of $305M. The Subject Company had a weighted-average revenue of $2.94MM, EBITDA of $272M, and SDE of $382M. The comparable transactions in detail have been kept in our work file. A summary of the data is presented below:

peercomps SINGLE SOURCE DATA FROM SBA LENDERS

Small Business - Comparables Report

Prepared on 8/30/21 DynoTec Industries

Search Criteria

Transactions Found	16

Transaction Summary

Statistic	Transactions	Min	Max	Mean	Median	Variation
Sales Price	6	$443,169	$2,108,929	$877,420	$580,000	N/A
Annual Gross Revenue	6	$1,036,193	$3,574,992	$1,660,292	$1,205,641	N/A
Seller's Disc. Earning (SDE)	6	$200,000	$720,505	$305,231	$224,861	N/A
EBITDA	6	$125,000	$595,505	$224,159	$156,877	N/A
SDE % of Revenue	6	14.17%	20.15%	18.21%	19.29%	0.13
EBITDA % of Revenue	6	8.15%	16.65%	12.84%	13.33%	0.23
Multiple of Revenue	6	0.24	0.59	0.49	0.53	0.27
Multiple of SDE	6	1.71	2.96	2.65	2.86	0.18
Multiple of EBITDA	6	2.98	4.48	3.76	3.72	0.15

I used PeerComps, data gathered from SBA lenders and transactions that are financed with SBA loans, to determine the net sales and earnings multiples of private companies that had been recently purchased in the Subject Company's industry. I found 6 transactions involving companies in lines of business similar to that of the Company that were purchased within the last 15 years. These companies differ from the Company in their respective stages of development and size, but they have comparable operational models and financial risks. They also reflect economic conditions for the Subject Company's industry in

general. Thus, the comparative analysis to the Company is based on the performance and characteristics of the sample as a whole rather than on any individual transaction selected.

The following table reflects the multiples chosen using company transactions taken from PeerComps:

Asset Sales

	Mean	Median	Subject Company	Implied Value Mean	Implied Value Median	Weight
Price / Net Sales	0.49	0.53	$2,935,048	$1,438,174	$1,555,575	0%
Price / EBITDA	3.76	3.72	$272,168	$1,023,352	$1,012,465	50%
Price / Discretionary Earnings	2.65	2.86	$382,168	$1,012,745	$1,093,000	50%
Weighted Average:				$1,018,049	$1,052,733	100.00 %

The price-to-net sales multiples of the private companies purchased ranged from 0.24x to 0.59x, with a mean of 0.49x. The population's price-to-EBITDA multiples ranged from 2.98x to 4.48x, with a mean of 3.76x. The population's price-to-discretionary earnings multiples ranged from 1.71x to 2.96x, with a mean of 2.65x. I utilized a weighted-average normalized EBITDA of 50% and a weighted-average normalized SDE of 50% in arriving at the market value of invested capital for the Company. I believe the company's income and the owner's discretionary earnings is more of an accurate assessment to the value of the company. The Price / Net Sales approach does not take into consideration many variable expenses that can impact the cash flow (rent, COGS, salaries, etc.), so this multiple is relied upon less frequently.

Asset Sales (mean)	$1,018,049
Add: Assumed Working Capital additional to Inventory	$0
Less: Assumed Debt	$0
Other Adjustments	$0
Indicated Value (privately-marketable, controlling basis)	$1,018,049
Weight	100%

PeerComps Value: $1,018,049

DealStats Transactions

A search of DealStats database of private company sales found 3 comparable private transactions for NAICS Code 811113.

The below transactions selected had a mean revenue of $1.12MM, EBITDA of $125M, and SDE of $156M. The Subject Company had a weighted-average revenue of $2.94MM, EBITDA of $272M, and SDE of $382M. The comparable transactions in detail have been kept in our work file. A summary of the data is presented below:

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DealStats

Search Criteria

Your report was generated: 08/30/2021 10:02AM (CDT)

DealStats contained 3 selected transactions with the following criteria:

- NAICS was 811113
- Sale Date was greater than 01/01/2015

Transaction Summary

Statistic	Count	Range	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile	H Mean	WH Mean	Mean	Coefficient of Variation
Sale Date	3	03/20/2015 — 07/31/2020									
Net Sales	3	$620,519 — $1,460,810	$750,523	$945,530	$1,270,540	$1,365,675	$1,422,756			$1,117,290	
MVIC Price	3	$160,000 — $790,000	$198,000	$255,000	$350,000	$570,000	$702,000			$433,333	
EBITDA	2	$66,755 — $184,560	$78,536	$96,206	$125,658	$155,109	$172,780			$125,658	
Seller's Discretionary Earnings (SDE)	3	$66,755 — $239,623	$86,181	$115,319	$163,883	$201,753	$224,475			$156,754	
Gross Profit Margin	2	45.4% — 69.2%	47.8%	51.4%	57.3%	63.3%	66.8%			57.3%	
SDE Margin	3	10.8% — 18.9%	10.9%	11.0%	11.2%	15.0%	17.3%			13.6%	
EBITDA Margin	2	10.8% — 14.5%	11.1%	11.7%	12.6%	13.6%	14.2%			12.6%	
Operating Profit Margin	3	3.7% — 12.0%	5.1%	7.2%	10.8%	11.4%	11.7%			8.8%	
Net Profit Margin	2	10.8% — 11.9%	10.9%	11.0%	11.3%	11.6%	11.8%			11.3%	
MVIC/Net Sales	3	0.24x — 0.62x	0.24x	0.25x	0.26x	0.44x	0.55x	0.31x	0.39x	0.37x	0.47
MVIC/Gross Profit	2	0.57x — 0.90x	0.60x	0.65x	0.73x	0.82x	0.87x	0.70x	0.82x	0.73x	0.22
MVIC/EBIT	3	2.4x — 6.5x	3.0x	3.8x	5.2x	5.9x	6.3x	3.9x	4.8x	4.7x	0.4
MVIC/EBITDA	2	2.4x — 4.3x	2.6x	2.9x	3.3x	3.8x	4.1x	3.1x	3.8x	3.3x	0.3
MVIC/SDE	3	2.1x — 3.3x	2.2x	2.3x	2.4x	2.9x	3.1x	2.5x	2.8x	2.6x	0.2
MVIC/Book Value of Invested Capital	1	2.0x — 2.0x	2.0x	2.0x	2.0x	2.0x	2.0x	2.0x	2.0x	2.0x	0.0

I used DealStats, a widely-utilized private transaction database, to determine the net sales, EBITDA, discretionary earnings multiples of private companies that had been recently purchased in the Subject Company's industry. I found 3 transactions involving companies in lines of business similar to that of the Company that were purchased within the last 7 years. These companies differ from the Company in their respective stages of development and size, but they have comparable operational models and financial risks. They also reflect economic conditions for the Subject Company's industry in general. Thus, the comparative analysis to the Company is based on the performance and characteristics of the sample as a whole rather than on any individual transaction selected.

Asset Sales

	Mean	Median	Harmonic Mean	Subject Company	Implied Value Mean	Implied Value Median	Implied Value Harmonic Mean	Weight
MVIC / Net Sales	0.37	0.26	0.31	$2,935,048	$1,085,968	$763,112	$909,865	0%
MVIC / EBITDA	3.30	3.30	3.10	$272,168	$898,154	$898,154	$843,721	50%
MVIC / Discretionary Earnings	2.60	2.40	2.50	$382,168	$993,637	$917,203	$955,420	50%

	Mean	Median	Harmonic Mean	Subject Company	Implied Value Mean	Implied Value Median	Implied Value Harmonic Mean	Weight
Weighted Average:					$945,896	$907,679	$899,571	100.00 %

The price-to-net sales multiples of the private companies purchased ranged from 0.24x to 0.62x, with a mean of 0.37x. The population's price-to-EBITDA multiples ranged from 2.4x to 4.3x, with a mean of 3.3x. The population's price-to-discretionary earnings multiples ranged from 2.1x to 3.3x, with a mean of 2.6x. I utilized a weighted-average normalized EBITDA of 50% and a weighted-average normalized SDE of 50% in arriving at the market value of invested capital for the Company. I believe the company's income and the owner's discretionary earnings is more of an accurate assessment to the value of the company. The Price / Net Sales approach does not take into consideration many variable expenses that can impact the cash flow (rent, COGS, salaries, etc.), so this multiple is relied upon less frequently.

Asset Sales (mean)	
Market Value of Invested Capital	$945,896
Add: Assumed Working Capital additional to Inventory	$0
Less: Assumed Debt	$0
Other Adjustments	$0
Indicated Value (privately-marketable, controlling basis)	$945,896
Weight	100%

DealStats Value: $945,896

Merged and Acquired Final Value

Source	Indicated Value	Weight	Weighted Average
DealStats	$945,896	30%	$283,769
PeerComps	$1,018,049	70%	$712,634
Total		100%	$996,403

Conclusion

This method captures *Transmission Repair Shops* that have sold over the last 15 years. I found these comparisons to vary in size and relevancy to this particular transaction. In my opinion, the ideal comparative transaction is one that is in the general area of the Subject Company and as close to the valuation date as possible. The databases used for comparison report relatively few transactions in the area of the Subject Company and very few within two years of the valuation date. Also the subject company is involved in a Chapter 11 Bankruptcy, which additional risk/marketability needs to be considered. In my analysis of the comparable transactions, I considered the multiples of all the transactions by observing means, medians, coefficients of variation, high values and low values, but I tend to have more confidence in the most recent transactions and the transactions closest to the Subject Company. Therefore, I rejected this method.

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The Asset Approach

Conclusion

A business' adjusted book value is calculated by adjusting the company's assets and liabilities from their book value to their estimated fair market value as of the date of valuation, with the value of the entity being the difference between the adjusted assets and the adjusted liabilities in a business operating as a going concern, fair market value usually is depreciated replacement cost. However, like the book value method and the liquidation value method, the adjusted book value method does not consider the business' earnings capacity. The adjusted book method is used primarily to value holding companies or businesses that do not possess goodwill value. Because the Company's Adjusted Income Statements indicates a potential benefit stream that may be capitalized does exist after removing depreciation for facilities and considering the various other adjustments to the income statements, I decided that the adjusted book value method is not appropriate for purposes of the valuation of DynoTec Industries, Inc. Therefore, I rejected the use of this method.

Discount and Capitalization Rates

Shannon Pratt and Roger Grabowski define the cost of capital as the expected rate of return that the market participants require in order to attract funds to a particular investment. The market, which is assumed to be a universe of rational investors, sets the cost of capital for a particular company. The company must go to the market to discover the return it must promise in order to obtain capital (debt or equity). The cost of capital should capture the risk inherent in the investment, relative to the risk inherent in alternative investments. Duff & Phelps Cost of Capital Navigator assisted with the cost of capital calculation below.

Method	Cost of Equity
Build-up	27.68%

Cost of Debt	
Interest Rate	6.5%
Tax Rate	29%
After-tax Cost of Debt	4.61%

Interest Rate

The interest rate should reflect the rate the Subject Company could get on its next dollar of interest-bearing debt. A good proxy is generally the rate on any debt outstanding or the current market rate of a typical SBA 7(a) loan. The interest rate applied to the cost of debt was 6.5%.

Tax Rate

The Company is a S-Corp and does not pay corporate taxes, however, to properly value the Company, I applied an effective C-Corp tax rate of 29% to the cost of debt. The appropriate discount rate components of the build-up method are derived from C-Corp companies.

Capital Structure	
Debt	20%
Equity	80%

A single capital structure is generally used when computing WACC. When relying on a single point estimate, valuation analysts frequently adopt the average or median capital structure of guideline companies in the Subjects Company's industry with the assumption that the subject company would finance its operations over the long term in a similar fashion as the guideline companies. The above capital structure was derived from RMA Annual Statement Studies within the Subject Company's industry. See the Exhibits section for the RMA Annual Statement Studies used.

Build-Up Method	
Risk-Free Rate	2.50%
Equity Risk Premium	5.50%
Size Premium	8.53%
Industry Specific Risk Premium	1.93%
Company Specific Risk Premium	9.00%
Required Return on Security	27.68%

The buildup method layers different risk estimates to build up a discount rate. The appropriate discount rate components for the Company are the risk free rate, equity risk premium, size premium and company specific premium. Subtracting sustainable growth from the discount rate develops the capitalization rate. The build-up method is one of several widely used methods to estimate the cost of common equity capital. It is an additive model in which the return on any asset is estimated as the sum of two or more components:

1. A “risk-free” rate of return
2. One or more premia for risk

The components used in the build-up method are shown in its formula:

Ke = Rf + RPm+s + RPi + RPu

Where,

Ke = Cost of equity
Rf = Risk-free rate as of the valuation date
RPm+s = Equity risk premium plus risk premium for smaller size
RPi = Industry risk premium
RPu = Company specific risk premium (i.e., unsystematic risk)

Risk Free Rate

This is a financial instrument that is considered to be the safest public investment, where low risk results in a corresponding low return. For valuation purposes, the Duff & Phelps normalized rate is used, as of the effective date of this valuation report. The rate applied to the buildup was 2.50%.

Equity Risk Premium

Duff & Phelps regularly reviews fluctuations in global economic and financial market conditions that warrant a periodic reassessment of the Equity Risk Premium (ERP) and accompanying risk-free rate, key inputs used to calculate the cost of equity capital in the context of the Capital Asset Pricing Model (CAPM) and other models used to develop discount rates.

The current ERP recommendation was developed in conjunction with a “normalized” 20-year yield on U.S. government bonds of 2.5% as a proxy for the risk-free rate (Rf), implying an 8.0% (2.5% + 5.5%) “base” U.S. cost of equity capital estimate as of December 9, 2020.

Our new recommendation takes into consideration several recent developments. In the fourth quarter of 2020, U.S. equity markets reached new all-time highs, spurred by optimism about new COVID-19 vaccines and the expectation of continued support by the Fed (including ultra-low interest rates through at least 2023, and possibly longer), coupled with lower uncertainty regarding the impact of the U.S. presidential election on the economy and future corporate earnings. Equity volatility reverted to levels close to long-term averages, and corporate credit spreads have narrowed to historical averages. Consumer confidence and business optimism improved, although the former is still far below the levels observed prior to the outbreak.

On the other hand, there are still a number of risk factors and sources of uncertainty that may impact the shape of the U.S. economic recovery and the pattern of financial markets' behavior over the next few months. Nominal U.S. gross domestic product (GDP) remains at a lower level than at year-end 2019. Furthermore, in percentage terms, in 2020 real GDP is still expected to experience the worst contraction since World War II. A third wave of COVID-19 cases could lead to a stalling of the recovery, or to another period of economic contraction, as states across the U.S. have already begun (or are considering) a new round of lockdowns until COVID-19 vaccines are more widely available.

The rate applied to the buildup was 5.50%

Size Risk Premium

Empirical evidence shows that the risk reward principle (the greater the risk the greater the reward) holds true in the size or capitalization of the company. The size premium represents average annual returns for small capitalization stocks minus average annual returns for large capitalization stocks. The smallest full decile of publicly traded stocks is the 10th decile (1 is the largest, and so on).

Though there are issues concerning specific industry concentration to be considered, the 10th Decile can be further broken down into two additional groups, 10a and 10b. 10a is the larger subset of the 10th decile portfolio of firms; 10b is the smaller.

Each of these are further divided into two additional sub-groups each, 10w and 10x under 10a, and 10y and 10z under 10b. Some analysts look at the smallest category to further define small business risk. 10z represents companies with a market cap of $2.5 to $87.6 million. The size premium for this category is 11.38% compared to 5.37% for the full 10th decile. But the 10z category features a significant number of financial and pharmaceutical firms under financial distress as compared to the overall market and overweighs the category to specific industries.

For this reason, this valuation uses the risk premium for the 10th decile, and then applies additional subject business specific risk for financials metrics, operations, size, etc. as shown in the Duff & Phelps Exhibit. The rate applied to the buildup was 8.53%.

Industry Risk Premium

The industries for which industry risk premia are calculated are based on Global Industry Classification Standard (GICS) codes. Each company's contribution to the adjustment is based on a full information beta with each company's contribution to the full-information beta based on the segment sales reported in the company's 10-K for that SIC code. This valuation uses the Industry risk premia that is reported in the Duff & Phelps Cost of Capital Navigator. The rate applied to the buildup was 1.93%.

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Company Specific Risk Premium

Even well run small businesses do not enjoy the benefits that a larger capital structure provides to businesses that comprise the 10th decile portfolio of public companies. These firms still range in size from $2.5 to $299.29 million. The median is $170.6 million, significantly larger than the subject business. Size adds an increased ability to compete, acquire competitors and new markets, develop advanced research, products and services. If properly managed, a larger capital structure can mean more operational security and market leverage. It also increases the likelihood of a future strategic acquisition by a larger firm.

The actual structure of capital is also different in larger firms. A much higher percentage of the capital is equity, not debt financing. Equity capital provides a stronger overall financial position and greater flexibility. Capital structures that rely on an opposite ratio of higher debt and lower equity weakens a company's financial position and decreases operational flexibility.

The result is that smaller firms, even well-run firms, have increased investment risk than even this lowest decile of public companies. Company specific risk adjusts this percentage higher as needed to adequately represent the subject's risk vs. the market.

Based upon Company specific factors listed in the table below - the summation requires an additional company specific risk premium of 9.00%.

Risk Factor	Level of Risk	Notes from Appraiser
Financial Risk	Above Ave	Financial Risk deals primarily with the consistency and overall performance from a financial perspective. Erratic, inconsistent and below industry average performance would warrant higher risk. While consistency and performance above industry averages would warrant lower risk.
Quality of Financial Information	Average	Quality of the financial information is based on the analyst's confidence level in the accuracy of the financial statements. For instance, a CPA Audited Financial Statement would have much lower risk compared to an internally based financial statement. There could also be risk in the reliance upon an interim statement.
Diversification Risk	Below Ave	Diversification risk is based on (1) diversification of customers (reliance upon 1 or 2 main customers); (2) diversification of suppliers (reliance upon a single supplier); (3) product or service mix diversification (reliance upon a sole product or service); and (4) geographic diversification (significant reliance upon location).
Management Risk	High	Management risk is the reliance upon the current owner(s) of the business and/or key management or another key employee. For instance, the more specialized a professional practice or business, the more likely that business will be reliant upon its owner. There could also be a significant dependence upon a key sales person.
Competition Risk	Above Ave	If the business is dependent upon its location, it most likely has a high competition risk. Businesses with higher barriers to entry can sometimes have lower risk of competition. Just because a business has no competition, does not mean there is "low" competition risk. What's the likelihood of a new competitor entering the market?
Company Specific Risk Premium	**4.00%**	
Additional Risk Premium	**5.00%**	In relation to the current legal and bankruptcy situation
Total Company Specific Risk Premium	**9.00%**	

Expected Sustainable Growth Rate

We estimate a 3% long-term compound annual growth. This cash flow growth estimate is based upon my assessment of the Company's prospects for sustained growth in relationship to the estimate of ongoing cash flow developed above.

The final discount rate, or weighted average cost of capital (WACC), was determined to be 23.07%.

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Valuation Adjustments

The value of a closely-held business may be higher or lower than the value calculated by the valuation analyst using the methods discussed in this report. The primary adjustments to value include discounts for lack of marketability and lack of control (minority). There are also times when a control premium is needed. These discounts have been added to the Valuation Conclusion section below.

The discount for lack of marketability (DLOM) reflects the fact that, unlike publicly traded companies, there is not a quick source of liquidity for owners of a closely-held business. The discount for lack of control (DLOC) may be applied to the value of a non-controlling (minority) interest in a company.

The International Glossary of Business Valuation Terms defines the following discounts:

- **Discount for Lack of Control** – an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.
- **Discount for Lack of Marketability** – an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount for Lack of Control

Having control of a company involves the ability to: appoint management, set management compensation, determine strategy and policies, acquire or sell assets, acquire other companies, liquidate or recapitalize the company, buy or sell treasury stock, declare and pay dividends, and amend articles of incorporation and bylaws.

Non-controlling or minority interests are worth less than a controlling interest because they do not have these abilities. In companies where there are separate non-controlling interests and a controlling interest, the value of the entity is not allocated proportionately based on ownership interest percentages. For example, a 51 percent controlling interest in a company valued at $100,000 is worth more than $51,000 ($100,000 x 51%). Conversely, a 49 percent minority interest in the same company is worth less than $49,000 ($100,000 x 49%).

In privately held companies, control of the company's earnings or cash flow is the main concern of the owners. Controlling owners can allocate more cash flow to themselves through compensation and other discretionary spending. In cases where cash flow is allocated to the owners based on adequate and reasonable compensation for their services and proportionately based on their ownership percentage, there is little benefit to controlling owner.

In this case, a control premium or minority interest discount is not applicable because a 100% equity interest is being valued.

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Discount for Lack of Marketability

For valuing the 100% controlling interest in the Subject Company, a marketability discount may be identified that will be sufficient to convert the controlling marketable value to a controlling non-marketable value. As discussed above, DLOMs for controlling interest are calculated different compared to DLOMs for non-controlling interest. It has already been established that the initial indicated values are on a controlling basis. It has also been established that the value calculated by the market method was based on prices at which other closely held (non-marketable) interests were sold, so the value indicated was on a private-illiquid, control basis. Therefore, the discount in question is a DLOM for a controlling interest (known as an illiquidity discount) to be applied to the Income Approach. The income capitalization method relies on a capitalization rate derived initially from the market of publicly traded companies; but a company specific risk premium was applied that considered the subject’s closely held status. As such, no further LOM discounts or premiums were applied.

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Valuation Conclusion

Valuation Method	Value Summary	Weights
Capitalization of Benefits	$893,004	100%
Merged and Acquired Company	$996,403	0%
Indicated Value	$893,004	
Interest Being Valued	100%	
Conclusion of Value (Rounded)	$900,000	

Reconciliation of the values returned in the various valuation methods used may be necessary. Individual values are reviewed by the analyst for appropriateness. They may be weighted to produce a result; the analyst may select one value believed to best represent the business's Fair Market Value using one of the results alone; a specific opinion of value based upon all developed data and relying on his or her informed judgment may be declared.

Based on my review of the Subject Company's historical data, the industry, market comparisons, past transactions and the future indication of the Subject Company, I have weighted the above methods of valuation as I see the most appropriate.

I have performed a valuation engagement, as that term is defined in the National Association of Certified Valuators and Analysts Professional Standards, of DynoTec Industries, Inc. This valuation was performed solely to determine a reasonable fair market value of the assets of the Debtor in anticipation of a future motion to sell all of the assets of the Debtor in regards to relief under Chapter 11 Bankruptcy. The resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the NACVA. The estimate of value that results from a valuation engagement is expressed as a conclusion of value. We were not restricted or limited in the scope of our work or data available for analysis.

Based on our analysis, as described in this valuation report, the estimate of value of a 100.0% interest in the "Acquired Assets" of DynoTec Industries, Inc as of June 30, 2021 was $900,000. This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix A and to the valuation analyst's representation found in Appendix B. We have no obligation to update this report or conclusion of value for information that comes to our attention after the date of this report.

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Appendix A:
Statement of Assumptions and Limiting Conditions

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by DynoTec Industries, Inc or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. BGH Valuation Services, LLC has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

3. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

4. We do not provide assurance on the achievability of the results forecasted by DynoTec Industries, Inc because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of BGH Valuation Services, LLC, based on information furnished to them by DynoTec Industries, Inc and other sources.

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of BGH Valuation Services, LLC.

8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of BGH Valuation Services, LLC unless previous arrangements have been made in writing.

9. BGH Valuation Services, LLC is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. BGH Valuation Services, LLC does not conduct or provide environmental assessments and has not performed one for the subject property.

10. BGH Valuation Services, LLC has not determined independently whether DynoTec Industries, Inc is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. BGH Valuation Services, LLC's valuation takes no such liabilities into account, except as they have been reported to BGH Valuation Services, LLC by DynoTec Industries, Inc or by an environmental consultant working for DynoTec Industries, Inc, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, BGH Valuation Services, LLC has relied Statement on Standards for Valuation Services No. 1 on it without verification and offers no warranty or representation as to its accuracy or completeness.

11. BGH Valuation Services, LLC has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

12. No change of any item in this appraisal report shall be made by anyone other than BGH Valuation Services, LLC, and we shall have no responsibility for any such unauthorized change.

13. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

14. If prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

15. We have conducted interviews with the current management of DynoTec Industries, Inc concerning the past, present, and prospective operating results of the company.

16. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

17. We did not visit or inspect the Company's facilities.

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Appendix B:
Representation of the Valuation Analyst

The analyses, opinions, and conclusion of value included in the valuation report are subject to the specified assumptions and limiting conditions, and they are the personal analyses, opinions, and conclusion of value of the valuation analyst.

The economic and industry data included in the valuation report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable (any exceptions should be noted). The valuation analyst has not performed any corroborating procedures to substantiate that data.

The valuation engagement was performed in accordance with the National Association of Certified Valuators and Analysts Professional Standards.

The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.

The analyst's compensation is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the estimate of value or the attainment of a stipulated result.

The valuation analyst did not use the work of one or more outside specialists to assist during the valuation engagement.

The valuation analyst has no obligation to update the report or the opinion of value for information that comes to his or her attention after the date of the report.

The valuation analyst and the person(s) assuming responsibility for the valuation should sign the representation in their own name(s). The names of those providing significant professional assistance should be identified.

Brandon Hall, CVA, CMEA
BGH Valuation Services, LLC

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Appendix C:
Valuation Analyst Credentials and Certification

Academic and Professional Credentials

- Certified Valuation Analyst (CVA)
- Certified Value Growth Advisor (CVGA)
- Certified Machinery and Equipment Appraiser (CMEA)
- Bachelor of Science, Accounting, Saint Cloud State University

Position and Experience

- Certified Business and Equipment Appraiser, *BGH Valuations Services, LLC*, Monticello, MN
    - Specializing in business valuations and equipment appraisals of small closely held companies within the U.S. These appraisals serve a variety of purposes, which include due diligence for acquisitions (SBA Financing) and divestitures, litigation support, purchase price allocations, property tax disputes, gift and transfer tax purposes, merger & acquisitions, bankruptcies, dispositions, recapitalizations, divorces, estate tax planning, financing and refinancing, syndicated loans, highest and best use analysis, feasibility study, and other corporate finance consulting assignments. Brandon Hall founded BGH Valuation Services, LLC and has performed over hundreds of appraisals for small closely held companies.
- Senior Accounting Analyst, *Best Buy, Inc.*, Richfield, MN
    - Perform variance analysis, preparing account reconciliations, and analyze monthly financial results.
- Accounting Analyst, *Polaris Industries, Inc.,* Minneapolis, MN
    - Assist in the accounting of Mergers & Acquisitions, responsible for the transition and valuation of goodwill and intangibles.
- Auditor, *Baker Tilly Virchow Krause, LLP*, Minneapolis, MN
    - Provide audit and assurance services for publicly traded and private clients ranging from $1 million to $1 billion in annual revenues.
    - Assist in the calculation of the going-concern value and the issuance of the going-concern opinion.

Professional Affiliations

- National Association of Certified Valuation Analysts
- Corporate Value Metrics, LLC
- Nebb Institute, Inc.

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Exhibits

Historical Financial Statements

	Histoical 12/31/2018	Histoical 12/31/2019	Histoical 12/31/2020	Histoical 06/30/2021	Projected 12/31/2021
Period Duration	12 month(s)	12 month(s)	12 month(s)	6 month(s)	12 month(s)
Sales (Income)	$2,638,660.00	$2,911,711.00	$2,578,161.00	$1,641,218.00	$3,282,436.00
Cost of Sales (COGS)	$503,151.00	$566,634.00	$998,884.00	$438,011.00	$876,022.00
Gross Profit	**$2,135,509.00**	**$2,345,077.00**	**$1,579,277.00**	**$1,203,207.00**	**$2,406,414.00**
Depreciation	$47,668.00	$59,498.00	$34,295.00	$10,178.00	$20,356.00
Amortization	$0.00	$0.00	$0.00	$0.00	$0.00
Overhead or S,G,& A Expenses	**$1,476,155.00**	**$1,405,484.00**	**$1,245,465.00**	**$746,765.00**	**$1,481,383.00**
G & A Payroll Expense	*$1,163,981.00*	*$1,056,032.00*	*$916,160.00*	*$523,982.00*	*$1,047,964.00*
Rent	*$116,043.00*	*$154,192.00*	*$109,343.00*	*$70,553.00*	*$141,106.00*
Advertising	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Executive Compensation	*$66,883.00*	*$68,801.00*	*$101,217.00*	*$72,500.00*	*$145,000.00*
Bad Debts	*$900.00*	*$0.00*	*$0.00*	*$12,147.00*	*$12,147.00*
Taxes & Licenses	*$122,563.00*	*$121,360.00*	*$118,745.00*	*$65,802.00*	*$131,604.00*
Repairs & Maintenance	*$5,785.00*	*$5,099.00*	*$0.00*	*$1,781.00*	*$3,562.00*
Other Operating Income	$0.00	$0.00	$0.00	$0.00	$0.00
Other Operating Expenses	**$352,912.00**	**$483,655.00**	**$399,801.00**	**$348,976.00**	**$640,564.00**
Automobile Expense	*$43,812.00*	*$59,965.00*	*$47,345.00*	*$34,538.00*	*$69,076.00*
Prior Year Adjustment	*$0.00*	*$50,477.00*	*$0.00*	*$0.00*	*$0.00*
Credit Card	*$17,136.00*	*$22,369.00*	*$12,261.00*	*$9,795.00*	*$19,590.00*
Office Supplies	*$10,665.00*	*$6,285.00*	*$4,390.00*	*$2,006.00*	*$4,012.00*
Insurance	*$110,617.00*	*$108,842.00*	*$83,447.00*	*$67,972.00*	*$105,944.00*
Equipment Rental	*$3,765.00*	*$5,337.00*	*$11,744.00*	*$3,783.00*	*$7,566.00*
Dues & Subscriptions	*$7,406.00*	*$6,361.00*	*$4,016.00*	*$3,169.00*	*$6,338.00*
Professional Fees	*$1,724.00*	*$16,500.00*	*$12,200.00*	*$74,388.00*	*$104,388.00*
Tools	*$15,856.00*	*$5,927.00*	*$8,456.00*	*$2,137.00*	*$4,274.00*
Telephone	*$7,555.00*	*$7,556.00*	*$10,389.00*	*$5,374.00*	*$10,748.00*
Shipping	*$15,890.00*	*$78,000.00*	*$107,587.00*	*$105,587.00*	*$211,174.00*
Utilities	*$62,862.00*	*$65,794.00*	*$58,828.00*	*$29,468.00*	*$58,936.00*
Uniforms	*$18,641.00*	*$14,889.00*	*$11,615.00*	*$5,954.00*	*$11,908.00*
Travel & Ent	*$12,939.00*	*$8,367.00*	*$1,323.00*	*$15.00*	*$30.00*
Other Operating Expenses	*$24,044.00*	*$26,986.00*	*$26,200.00*	*$4,790.00*	*$26,580.00*
Operating Profit	**$258,774.00**	**$396,440.00**	**-$100,284.00**	**$97,288.00**	**$264,111.00**
Interest Expense	$24,550.00	$51,152.00	$47,267.00	$6,546.00	$13,092.00
Other Income	$0.00	$0.00	$10,000.00	$0.00	$0.00
SBA Grant Income	$0.00	$0.00	$10,000.00	$0.00	$0.00
Other Expenses	$0.00	$0.00	$0.00	$1,128,190.00	$1,128,190.00
Net Profit Before Taxes	**$234,224.00**	**$345,288.00**	**-$137,551.00**	**-$1,037,448.00**	**-$877,171.00**

	Historical 6/30/2021	Historical 12/31/2020	Historical 12/31/2019	Historical 12/31/2018
Cash (Bank Funds)				
Total Cash (Bank Funds)	$116,767	$22,316	$454	$14,566
Accounts Receivable				
Total Accounts Receivable	$446,431	$478,596	$445,091	$518,757
Inventory				
Total Inventory	$193,000	$95,000	$95,000	$11,388
Other Current Assets				
Total Other Current Assets	$502,777	$470,740	$396,984	$354,210
Total Current Assets	$1,258,975	$1,066,652	$937,529	$898,921
Gross Fixed Assets				
Total Gross Fixed Assets	$574,948	$574,948	$621,952	$621,952
Accumulated Depreciation				
Total Accumulated Depreciation	$509,536	$489,180	$501,889	$463,741
Net Fixed Assets	$65,412	$85,768	$120,063	$158,211
Gross Intangible Assets				
Total Gross Intangible Assets	$0	$0	$0	$0
Accumulated Amortization				
Total Accumulated Amortization	$0	$0	$0	$0
Net Intangible Assets	$0	$0	$0	$0
Other Assets				
Total Other Assets	$1,043,415	$1,297,357	$1,283,337	$1,345,679
Total Assets	$2,367,802	$2,449,777	$2,340,929	$2,402,811
Accounts Payable				
Total Accounts Payable	$41,271	$194,799	$134,029	$127,722
Short Term Debt				
Total Short Term Debt	$0	$0	$0	$0
Notes Payable / Current Portion of Long Term Debt				
Total Notes Payable / Current Portion of Long Term Debt	$0	$0	$0	$0
Other Current Liabilities				
Total Other Current Liabilities	$1,913,859	$1,676,441	$1,454,751	$1,431,068
Total Current Liabilities	$1,955,130	$1,871,240	$1,588,780	$1,558,790
Notes Payable / Senior Debt				
Total Notes Payable / Senior Debt	$0	$0	$0	$0
Notes Payable / Subordinated Debt				
Total Notes Payable / Subordinated Debt	$0	$0	$0	$0
Other Long Term Liabilities				
Total Other Long Term Liabilities	$1,426,329	$544,568	$580,629	$653,590
Total Long Term Liabilities	$1,426,329	$544,568	$580,629	$653,590
Total Liabilities	$3,381,459	$2,415,808	$2,169,409	$2,212,380
Preferred Stock				
Total Preferred Stock	$0	$0	$0	$0
Common Stock				
Total Common Stock	$1,000	$1,000	$1,000	$1,000
Additional Paid-in Capital				
Total Additional Paid-in Capital	$0	$0	$0	$0
Other Stock / Equity				
Total Other Stock / Equity	$0	$0	$0	$0
Ending Retained Earnings				
Total Ending Retained Earnings	($1,014,657)	$32,969	$170,520	$189,431
Total Equity	($1,013,657)	$33,969	$171,520	$190,431
Total Liabilities + Equity	**$2,367,802**	**$2,449,777**	**$2,340,929**	**$2,402,811**

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Reasonable Owners Compensation Analysis

BGH Valuation Services, LLC relies on data provided by Reasonable Compensation Reports, Inc., Bureau of Labor Statistics and U.S. Census data to calculate a concise, independent, unbiased, Reasonable Compensation figure.

This report determines Reasonable Compensation based on the company's industry, size and performance and owner’s role, experience and time devoted to the company, generating an annual salary that would be reasonable to "replace" the owner within the business.

The owner(s) annual salary or Reasonable Compensation represents an estimate of the amount it would cost to "replace" them, based on:

- Answers to our interview
- Bureau of Labor Statistics data
- Census data
- Reasonable Compensation Reports data

The owner(s) Reasonable Compensation figure includes taxable Medicare wages & bonuses, healthcare and flexible spending accounts (FSA). It does not include non-taxable fringe benefits such as vehicle or vehicle allowance, stock options, company loans and other items not reported on a W-2 as taxable compensation.

The actual replacement salary could vary considerably from our estimate, especially if the information provided differs from their actual duties, industry and size.

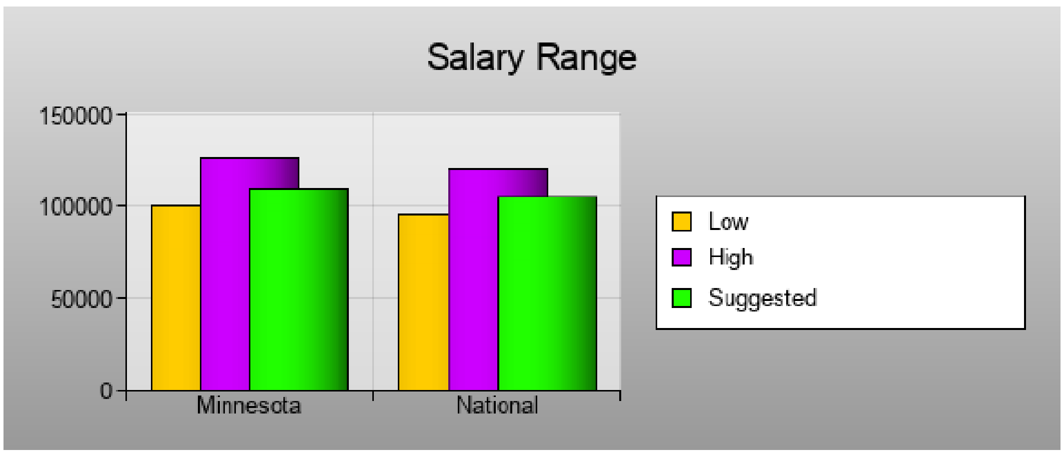
BGH Valuation Services, LLC

2021 Report for Timothy Lundquist of DynoTec Industries, Inc.

Your estimated annual Reasonable Compensation: $110,046

Thank you for entrusting Brandon Hall of BGH Valuation Services, LLC with your Reasonable Compensation analysis. This report provides a reasonable estimate of the value of services rendered to your company based on the duties and responsibilities that you perform annually. The valuation of most businesses requires the owner(s) and key managers to have their compensation *Normalized*. Reasonable Compensation is defined as "The hypothetical replacement cost of an owner or key manager of a business."

Your suggested salary range: $95,470 to $126,311 with a suggested salary of $110,046 was determined to be Reasonable Compensation based on your role in the company, industry, size of the business, time devoted to the business, your experience and location. Any wage selected within the suggested range or expanded geographical area(s) is acceptable and within a 90% confidence interval.



	Low	High	Suggested
Minnesota	100,037	126,311	**110,046**
National	95,470	120,544	**105,022**

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BGH Valuation Services, LLC

2021 Report for Timothy Lundquist of DynoTec Industries, Inc.

Business Summary:

Calculated for:	Timothy Lundquist
Company:	DynoTec Industries, Inc.
Interview completed:	2021-10-14 14:12:37
Report calendar year:	2021
NAICS industry:	811000 - Repair and Maintenance
State:	Minnesota
Occupation:	Chief Executives*
Number of Employees (FTE):	10-25
Adjusted Gross Profit:	1m-5m**
Business Performance vs. Peers:	Below Average
Owner Experience and/or Proficiency Level:	Average
Time Dedicated to the Business:	Full time

* Chief Executives - Determine and formulate policies and provide overall directionof companies or private and public sector organizations within guidelines set up by a board of directors or similar governing body. Plan, direct, or coordinate operational activities at the highest level of management with the help of subordinate executives and staff managers.

** Adjusted Gross Profit is gross revenue less the direct cost of producing this income. The direct cost of producing income is all expenses that have a one to one relationship to producing income. This concept is like but not identical to grossprofit.

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Justification of Purchase

To test the reasonableness of our opinion as to the fair market value of the Company, we performed a proof of valuation analysis, titled "Justification of Purchase." This analysis includes assumptions regarding the cash down payment, the terms of the purchase notes, and the Company's projected cash flows.

The Justification of Purchase technique assesses whether the subject company could "pay for itself" if market debt financing criteria were applied against the opinion of value. The indicators of a successful Justification of Purchase technique include: 1) whether cash flow is sufficient to provide reasonable compensation to the hypothetical purchaser, 2) whether acquisition debt is fully amortized over a reasonable time frame, and 3) whether the hypothetical purchaser earns a reasonable return on the cash down payment.

The assumptions regarding the terms of the proposed purchase are presented in the following schedule:

Debt Service Coverage Ratio

		Acquired Business Value	**900,000**			
Source of Purchase Funds	Percentage	Amount	Terms (mos.)	Interest	Monthly Payment	
Required Cash/Equity	10.00%	90,000	N/A	N/A	N/A	
Financing	90.00%	810,000	120	6.50%	9,197	*
Total	100.00%	900,000			9,197	
Annual Debt Service (P&I)					110,369	
Cash Flow Available for Year 2022						
Projected Adjusted EBIT					207,050	**
Less: Taxes					59,592	
Plus: Depreciation					35,097	
Plus: Goodwill Amortization - Tax					37,133	
Projected Cash Flow					219,688	
Less: Estimated Working Capital					4,000	
Less: Estimated Capital Expenditures					15,000	
Cash Flow Available for Debt Service					200,688	
Debt Service Coverage						
Cash Flow Available					200,688	
Annual Debt Service					110,369	
Debt Service Coverage Ratio					1.82	

* - Monthly principal and interest payments using projected structure, actual terms may differ

** - Weighted-average EBIT with a 3% growth rate applied

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Projected Post Sale Cash Flow

BASED ON HYPOTHETICAL TERMS OF SALE	Assumptions	2022	2023	2024	2025	2026
Long-Term Growth Rate	3.0%					
Projected EBIT		207,050	213,261	219,659	226,249	233,036
Interest Exp. on Loan		50,899	46,916	42,667	38,133	33,295
Projected Post-Sale Cash Flow		156,151	166,345	176,992	188,116	199,741
Income Taxes	29%	44,942	47,877	50,941	54,143	57,489
Projected Post-Sale Net Income		111,208	118,468	126,051	133,973	142,253
Depreciation/Amortization and Non-Cash Expense		72,231	72,231	72,231	72,231	72,231
Less: Estimated Working Capital		4,000	4,000	4,000	4,000	4,000
Less: Estimated Capital Expenditures		15,000	15,000	15,000	15,000	15,000
Principal Payments on SBA Loan		59,470	63,452	67,702	72,236	77,074
Projected Post-Sale Cash Flow		104,969	108,247	111,580	114,968	118,410
Return on Down Payment for First Year		117%				

BASED ON HYPOTHETICAL TERMS OF SALE	Assumptions	2027	2028	2029	2030	2031
Long-Term Growth Rate	3.0%					
Projected EBIT		240,027	247,228	254,645	262,284	270,153
Interest Exp. on Loan		28,133	22,626	16,749	10,479	3,790
Projected Post-Sale Cash Flow		211,894	224,602	237,896	251,805	266,363
Income Taxes	29%	60,986	64,644	68,470	72,473	76,663
Projected Post-Sale Net Income		150,908	159,959	169,426	179,332	189,700
Depreciation/Amortization and Non-Cash Expense		72,231	72,231	72,231	72,231	72,231
Less: Estimated Working Capital		4,000	4,000	4,000	4,000	4,000
Less: Estimated Capital Expenditures		15,000	15,000	15,000	15,000	15,000
Principal Payments on SBA Loan		82,236	87,743	93,619	99,889	106,579
Projected Post-Sale Cash Flow		121,903	125,446	129,037	132,673	136,351

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Duff & Phelps Cost of Equity

General Inputs

Estimate Name	**DynoTec Industries, Inc.**
Industry	GICS 25101010 - Auto Parts & Equipment
Valuation Date	06/30/2021

Size and Risk Inputs

Size Inputs ($USD in millions except for Number of Employees)

Book Value of Equity	$-1m
5-Year Average Net Income	$0.2m
Market Value of Invested Capital	$0.9m
Total Assets	$1.4m
5-Year Average EBITDA	$0.28m
Net Sales	$3.2m
Number of Employees	25.00

High-Financial-Risk Study

Z-Score	-3.31
Z-Score Type	Service

Cost of Equity Inputs

Risk-Free Rate	2.50%
Type	Duff & Phelps Normalized Rate
Source	Federal Reserve Bank of St. Louis.
Data as of	06/30/2021
Beta (CRSP Deciles Size Study)	1.65
Type	GICS 25101010 Median Vasicek-Adjusted Beta
Source	Tax Foundation (taxfoundation.org)
Data as of	06/30/2021
Industry Risk Premium (CRSP Deciles Size Study)	3.57%
Type	Based on GICS 25101010 Median Vasicek-Adjusted Beta and Duff & Phelps Recommended ERP
Source	Tax Foundation (taxfoundation.org)
Data as of	06/30/2021
Beta (Risk Premium Report Study)	1.35
Type	GICS 25101010 Median Sum Beta
Source	Tax Foundation (taxfoundation.org)
Data as of	06/30/2021
Industry Risk Premium (Risk Premium Report Study)	1.93%
Type	Based on GICS 25101010 Median Sum Beta and Duff & Phelps Recommended ERP
Source	Tax Foundation (taxfoundation.org)
Data as of	06/30/2021
Beta (High-Financial-Risk Study)	2.64
Type	GICS 25101010 HFR Composite Beta
Source	Tax Foundation (taxfoundation.org)
Data as of	06/30/2021
ERP	5.50%
Type	Duff & Phelps Recommended
Source	Cost of Capital Navigator – U.S. Cost of Capital Module. Source of underlying data: Morningstar Direct
Data as of	06/30/2021

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RPR CAPM + Size Premium

Size Measure	Ke	=	Rf	+	B	*	ERP	+	RPs
5-Year Average Net Income	17.66%	=	2.50%	+	1.4	*	5.50%	+	7.73%
Market Value of Invested Capital	20.18%	=	2.50%	+	1.4	*	5.50%	+	10.25%
Total Assets	18.42%	=	2.50%	+	1.4	*	5.50%	+	8.49%
5-Year Average EBITDA	18.25%	=	2.50%	+	1.4	*	5.50%	+	8.32%
Net Sales	18.17%	=	2.50%	+	1.4	*	5.50%	+	8.24%
Number of Employees	18.10%	=	2.50%	+	1.4	*	5.50%	+	8.17%

Build-up 1 (Levered)

Size Measure	Ke	=	Rf	+	RPm+s	+	ERP Adjustment
5-Year Average Net Income	19.43%	=	2.50%	+	17.10%	+	-0.17%
Market Value of Invested Capital	22.79%	=	2.50%	+	20.46%	+	-0.17%
Total Assets	20.93%	=	2.50%	+	18.60%	+	-0.17%
5-Year Average EBITDA	20.51%	=	2.50%	+	18.18%	+	-0.17%
Net Sales	19.46%	=	2.50%	+	17.13%	+	-0.17%
Number of Employees	18.17%	=	2.50%	+	15.84%	+	-0.17%

Build-up 2

Size Measure	Ke	=	Rf	+	ERP	+	RPi	+	RPs
5-Year Average Net Income	17.66%	=	2.50%	+	5.50%	+	1.93%	+	7.73%
Market Value of Invested Capital	20.18%	=	2.50%	+	5.50%	+	1.93%	+	10.25%
Total Assets	18.42%	=	2.50%	+	5.50%	+	1.93%	+	8.49%
5-Year Average EBITDA	18.25%	=	2.50%	+	5.50%	+	1.93%	+	8.32%
Net Sales	18.17%	=	2.50%	+	5.50%	+	1.93%	+	8.24%
Number of Employees	18.10%	=	2.50%	+	5.50%	+	1.93%	+	8.17%
Average Build-up Rate	**18.46%**	**=**	**2.50%**	**+**	**5.50%**	**+**	**1.93%**	**+**	**8.53%**

CAPM + HFR Size Premium

Risk Measure	Ke	=	Rf	+	B	*	ERP	+	RPs
Service z-Score	33.00%	=	2.50%	+	2.64	*	5.50%	+	15.98%

Build-up HFR

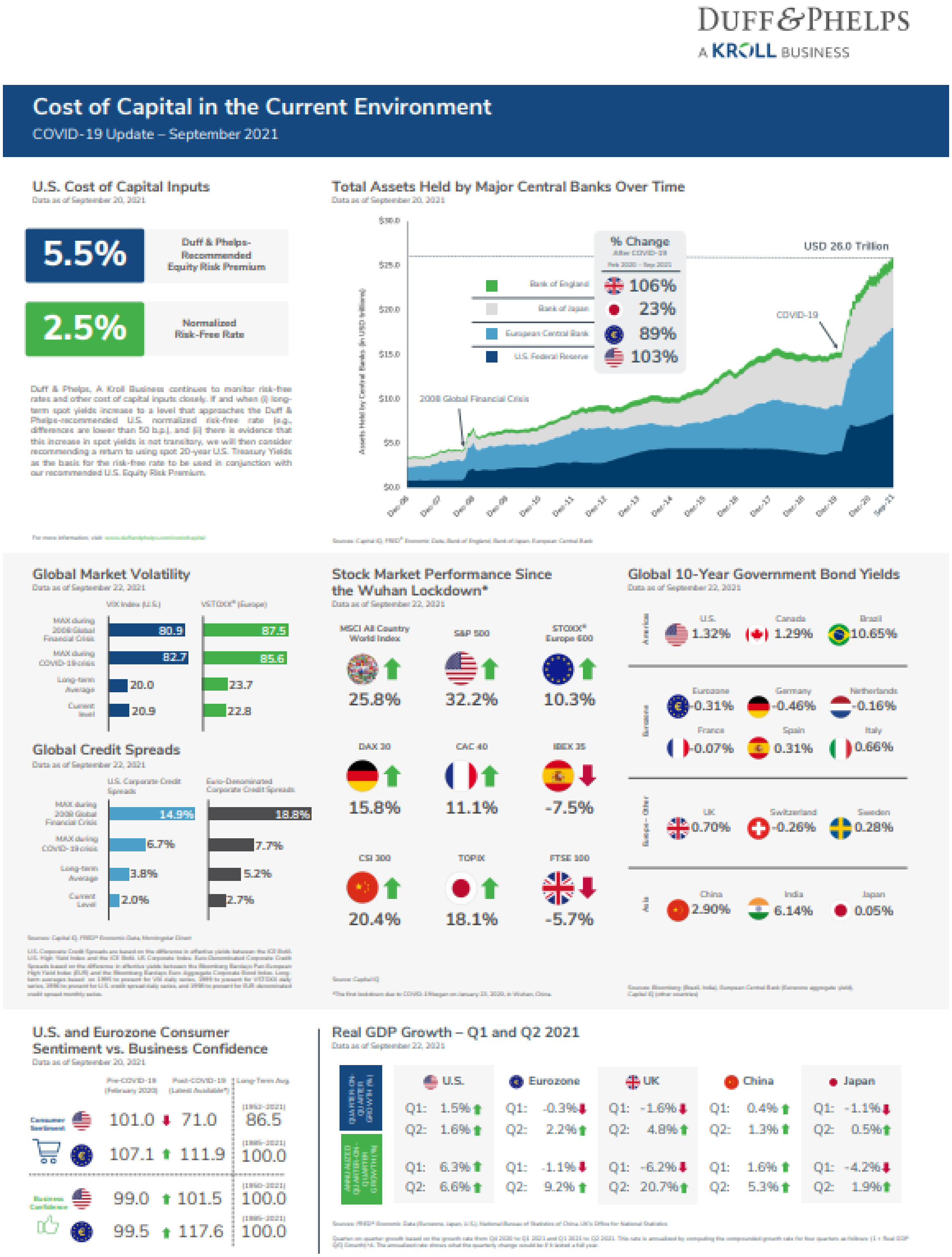
Risk Measure	Ke	=	Rf	+	RPm+s	+	ERP Adjustment
Service z-Score	28.08%	=	2.50%	+	25.75%	+	-0.17%

Cost Of Equity Summary

	Average*	Median*
Cost of Equity	19.05%	18.34%
High-Financial-Risk Cost of Equity	30.54%	30.54%

*averages and medians calculated using all equations of that type (Levered, Unlevered, Relevered, High-Financial-Risk) completed by the user. High-Financial-Risk Estimates are not included in average/median for Levered, Unlevered, or Relevered Estimates.

Cost of Capital in Current Environment



U.S. vs. Eurozone Unemployment Rate

Data as of September 20, 2021

	U.S.	Eurozone
March 2020	4.4%	7.1%
June 2020	11.1%	8.0%
September 2020	7.8%	8.7%
December 2020	6.7%	8.1%
March 2021	6.0%	8.1%
June 2021	5.9%	7.8%
Latest Available*	5.2%	7.6%

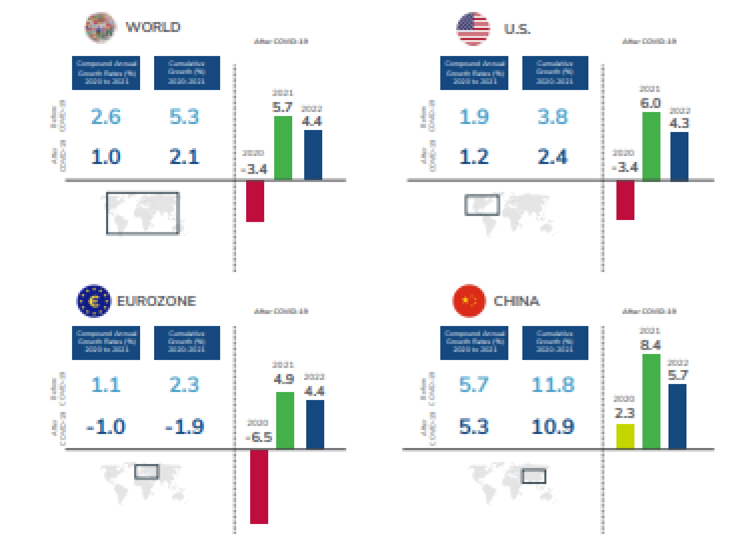
Source: U.S. Bureau of Labor Statistics, Eurostat

* Data through August 2021 for the United States and July 2021 for the Eurozone.

> "Risk has subsided since the outbreak of COVID-19, but economic recovery is still progressing at different speeds among regions. The Delta variant is leading to downward revisions in real GDP growth for some geographies."
>
> – Carla Nunes, CFA, Managing Director, Duff & Phelps, A Kroll Business

Real GDP Growth (%) Estimates (Median)

Data as of September 20, 2021



RMA Annual Statement Studies

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Auto Repair Shops, Industry-wide)

MEASURE	2017-18	2018-19	2019-20
Current Ratio	1.24	1.72	1.28
Quick Ratio	0.71	0.87	0.88
Days Inventory	30.16	18.69	19.88
Days Receivables	10	10	5
Days Payables	26.53	8.24	21.17
Pre-tax Return on Revenue	4.62%	5.21%	3.89%
Pre-tax Return on Assets	16.09%	17.38%	19.25%
Pre-tax Return on Net Worth	49.97%	47.41%	95.28%
Interest Coverage	10.31	11.6	11.85
Current Liabilities to Net Worth	1.21	0.64	1.79
Long Term Liabilities to Net Worth	0.9	1.09	2.16
Total Liabilities to Net Worth	2.11	1.73	3.95
Number of Firms Analyzed	*493*	*471*	*385*

Income Statement (Auto Repair Shops, Industry-wide)

ITEM	2017-18	2018-19	2019-20
Revenue	100.0%	100.0%	100.0%
Cost of Sales	45.98%	45.5%	44.94%
Gross Margin	54.02%	54.5%	55.06%
Officers Compensation	4.26%	4.22%	3.49%
Salaries-Wages	15.26%	14.92%	15.1%
Rent	5.58%	5.31%	5.23%
Taxes Paid	3.27%	3.13%	3.1%
Advertising	1.7%	1.72%	1.81%
Benefits-Pensions	1.25%	1.19%	1.18%
Number of Firms Analyzed	*493*	*471*	*385*

ITEM	2017-18	2018-19	2019-20
Repairs	1.15%	1.13%	1.15%
Bad Debt	0.08%	0.08%	0.07%
Other SG&A Expenses	13.08%	12.18%	13.06%
EBITDA	8.39%	10.63%	10.87%
Amortization-Depreciation	2.26%	2.74%	2.78%
Operating Expenses	47.89%	46.62%	46.97%
Operating Income	6.13%	7.88%	8.09%
Interest Expense	1.54%	1.7%	1.96%
Other Income	-0.25%	-0.38%	-0.36%
Pre-tax Net Profit	4.83%	6.56%	6.49%
Income Tax	0.13%	0.09%	0.14%
After Tax Net Profit	4.7%	6.47%	6.35%
Number of Firms Analyzed	*493*	*471*	*385*

Balance Sheet (Auto Repair Shops, Industry-wide)

ASSETS	2017-18	2018-19	2019-20
Cash	23.14%	24.58%	24.73%
Receivables	9.48%	9.8%	10.16%
Inventory	14.48%	16.33%	15.41%
Other Current Assets	2.56%	2.39%	2.65%
Total Current Assets	49.65%	53.1%	52.95%
Net Fixed Assets	33.53%	31.27%	33.07%
Net Intangible Assets	7.88%	8.44%	6.17%
Other Non-Current Assets	8.94%	7.19%	7.8%
Total Assets	*100.0%*	*100.0%*	*100.0%*

LIABILITIES			
Accounts Payable	12.27%	11.54%	10.94%
Loans/Notes Payable	16.12%	16.86%	15.17%
Other Current Liabilities	15.56%	16.58%	12.84%
Number of Firms Analyzed	*493*	*471*	*385*

LIABILITIES

Total Current Liabilities	43.95%	44.98%	38.94%
Total Long Term Liabilities	33.21%	38.01%	37.24%
Total Liabilities	77.16%	82.98%	76.19%
Net Worth	22.87%	16.99%	23.81%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
Number of Firms Analyzed	*493*	*471*	*385*

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at RMA and Powerlytics.